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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 20-F**

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(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report  
Commission file number: 001-41516

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**TH International Limited**

(Exact name of Registrant as specified in its charter)

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N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

2501 Central Plaza

227 Huangpi North Road

Shanghai, People's Republic of China, 200003

+86-021-6136-6616

(Address of principal executive offices)

Yongchen Lu, Chief Executive Officer

2501 Central Plaza

227 Huangpi North Road

Shanghai, People's Republic of China, 200003

+86-021-6136-6616

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Ordinary share, par value US\$0.00000939586994067732 per share	THCH	Nasdaq Stock Market LLC
Warrants, each exercisable for one ordinary share	THCHW	Nasdaq Stock Market LLC

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Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

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(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2022, there were 149,181,538 ordinary shares outstanding, par value US\$0.00000939586994067732.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "accelerated filer," "large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>
				Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registration has used to prepare the financial statements included in this filing:

U.S. GAAP <input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input type="checkbox"/>	Other <input type="checkbox"/>
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If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

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## INTRODUCTION

Unless otherwise indicated or the context otherwise requires in this annual report on Form 20-F (the “Annual Report”):

- “A&R Warrant Agreement” means the assignment, assumption and amended & restated warrant agreement among THIL, Silver Crest and Stock Transfer & Trust Company, dated September 28, 2022.
- “Board” means the board of directors of THIL.
- “Business Combination” means THIL’s business combination with Silver Crest, pursuant to that certain the Agreement and Plan of Merger (the “Merger Agreement”), dated as of August 13, 2021, by and among Silver Crest, THIL, and Miami Swan Ltd, a Cayman Islands exempted company and a wholly-owned subsidiary of THIL (“Merger Sub”), as amended by Amendment No. 1 to the Agreement and Plan of Merger, dated as of January 30, 2022, Amendment No. 2 to the Agreement and Plan of Merger, dated March 9, 2022, Amendment No. 3 to the Agreement and Plan of Merger, dated as of June 27, 2022, and Amendment No. 4 to the Agreement and Plan of Merger, dated as of August 30, 2022, in each case by and among Silver Crest, THIL and Merger Sub.
- “Cayman Companies Act” means the Companies Act (as amended) of the Cayman Islands.
- “Company”, “we”, “our”, “us,” “THIL” or similar terms means TH International Limited and/or its subsidiaries. All references to “THIL” with respect to business operations shall mean THIL’s PRC Subsidiaries, unless otherwise indicated.
- “DataCo” means Pangaea Data Tech (Shanghai) Co., Ltd.
- “ESA” means the Equity Support Agreement, dated March 8, 2022, between THIL and Shaolin Capital Management LLC, which assigned all of its rights and obligations under the agreement to Shaolin Capital Partners Master Fund Ltd, DS Liquid DIV RVA SCM LLC, MAP 214 Segregated Portfolio, a segregated portfolio of LMA SPC, and Shaolin Capital Partners SP, a segregated portfolio of PC MAP SPC on May 25, 2022, as amended by Amendment No. 1 to the Equity Support Agreement, dated July 28, 2022.
- “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- “Facility” means a committed equity facility established pursuant to an Ordinary Share Purchase Agreement, dated as of March 11, 2022, by and between THIL and CF Principal Investments LLC (“Cantor”) (as amended by Amendment No. 1 on November 9, 2022).
- “Hong Kong Subsidiaries” means TH Hong Kong International Limited and any other Hong Kong-incorporated subsidiary that THIL may have in the future.
- “Initial Holders” means the Silver Crest Management LLC, TH China Partners Limited, Tim Hortons Restaurants International GmbH and Tencent Mobility Limited.
- “Issuer Release Amount” means payments that THIL is entitled to receive from a collateral account pursuant to the terms of the ESA.
- “ordinary shares” means the ordinary shares, par value \$0.00000939586994067732 per share, of THIL.
- “PCAOB” means the Public Company Accounting Oversight Board.

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- “Popeyes China” means PLKC International Limited, a Cayman Islands exempted company.
- “PRC” means the People’s Republic of China.
- “PRC Subsidiaries” means Tim Hortons (China) Holdings Co., Ltd., Shanghai Donuts Enterprise Management Co., Ltd., Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd., Tim Hortons (Beijing) Food and Beverage Services Co., Ltd., Tim Coffee (Shenzhen) Co., Ltd., Tim Hortons (Shenzhen) Food and Beverage Co., Ltd. and/or any other PRC-incorporated subsidiary that THIL may have in the future.
- “private placement warrants” means the 4,450,000 warrants issued by THIL to the Sponsor in connection with the Business Combination in exchange for the warrants originally issued by Silver Crest to the Sponsor in a private placement concurrently with its initial public offering and an aggregate of 1,200,000 warrants issued by THIL to TH China Partners Limited, Tim Hortons Restaurants International GmbH and Tencent Mobility Limited at the closing of the Business Combination, each entitling the holder to purchase one ordinary share of THIL at an exercise price of \$11.50 per share (subject to adjustment), provided that such warrants have not become public warrants as a result of being transferred to any person other than the Initial Holders’ permitted transferees.
- “public warrants” means the 17,250,000 redeemable warrants issued by THIL in connection with the Business Combination to holders of Silver Crest’s warrants issued in its initial public offering, each entitling the holder to purchase one ordinary share of THIL at an exercise price of \$11.50 per share (subject to adjustment).
- “Resale Registration Statement” means the registration statement on Form F-1 (Registration No. 333-267864) initially filed by THIL with the SEC on October 13, 2022 and declared effective by the SEC on December 22, 2022.
- “Reference Period Payment” means payments that THIL is required to pay to the ESA Investors from a collateral account pursuant to the terms of the ESA.
- “Same-store sales growth” means the percentage change in the sales of stores that have been operating for 12 months or longer during a certain period compared to the same period from the prior year. The same-store sales growth for any period of more than a month equals to the arithmetic average of the same-store sales growth of each month covered in the period. If a store was closed for seven days or more during any given month, its sales during that month and the same month in the comparison period are excluded for purposes of measuring same-store sales growth.
- “SEC” means the U.S. Securities Exchange Commission.
- “Securities Act” means the Securities Act of 1933, as amended.
- “Silver Crest” refers to Silver Crest Acquisition Corporation, a Cayman Islands exempted company.
- “Sponsor” refers to Silver Crest Management LLC, a Cayman Islands limited liability company.
- “system-wide stores” means stores owned and operated by THIL and franchise stores.
- “THIL Articles” means the second amended and restated memorandum and articles of association of THIL.
- “U.S. dollars,” “U.S.\$” or “\$” means the legal currency of the United States.
- “U.S. GAAP” means accounting principles generally accepted in the United States of America.

- “VWAP” means, for the THIL’s ordinary shares for a specified period, the dollar volume-weighted average price for the ordinary shares on the Nasdaq Stock Market (“Nasdaq”), for such period, as reported by Bloomberg through its “AQR” function. All such determinations shall be appropriately adjusted for any share dividend, share split, share combination, recapitalization or other similar transaction during such period.
- “VWAP Trading Day” means any day on which Nasdaq is scheduled to be open for trading for its regular trading session and (A) there is no failure by Nasdaq to open for trading during its regular trading session on such date (such an event, a “VWAP Market Disruption Event”) or an event that any ESA Investor concludes, upon consultation with external counsel, that it is reasonably appropriate with respect to any legal, regulatory or self-regulatory requirements or related policies and procedures (in the case of any self-regulatory requirements or related policies and procedures, solely to the extent such self-regulatory requirements or related policies and procedures are consistently applied in good faith to all similarly situated counterparties in all similar contexts) for it to refrain from effecting transactions with respect to THIL’s ordinary shares (such an event, a “Regulatory Disruption”) and (B) trading in THIL’s ordinary shares generally occurs on Nasdaq. If a VWAP Market Disruption Event or Regulatory Disruption occurs, the Calculation Agent (as defined in the ESA) shall determine if such VWAP Trading Day is (i) a disrupted day in full, in which case such day shall not be a VWAP Trading Day, or (ii) a disrupted day in part, in which case the Calculation Agent (as defined in the ESA) shall determine the VWAP for such VWAP Trading Day based on the volume-weighted average price of trades in THIL’s ordinary shares on such VWAP Trading Day effected before the applicable Regulatory Disruption based on the <VAP> screen on Bloomberg or similar, as determined by the Calculation Agent (as defined in the ESA) if THIL’s ordinary shares are not so listed or traded on Nasdaq, then “VWAP Trading Day” means a business day.

This Annual Report contains translations between Renminbi and U.S. dollars solely for the convenience of the reader. The translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this Annual Report were made at a rate of RMB6.8972 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 30, 2022. We make no representation that the Renminbi or U.S. dollar amounts referred to in this Annual Report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all.

## FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of current or historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

In some cases, you can identify these forward-looking statements by words or phrases such as “may,” “might,” “would,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but not limited to, statements about:

- THIL’s markets are rapidly evolving and may decline or experience limited growth;
- THIL’s ability to retain and expand its customer base;
- THIL’s reliance on third-party suppliers;
- THIL’s ability to compete effectively in the markets in which it operates;
- THIL’s quarterly results of operations may fluctuate for a variety of reasons;
- failure to maintain and enhance the Tim Hortons brand;
- THIL’s ability to successfully and efficiently manage its current and potential future growth;
- THIL’s dependence upon the continued growth of e-commerce and usage of mobile devices;
- THIL’s ability to ensure food safety and quality control;
- failure to prevent security breaches or unauthorized access to THIL’s or its third-party service providers’ data;
- the rapidly changing and increasingly stringent laws, contractual obligations and industry standards relating to privacy, data protection and data security;
- the effects of health epidemics, including the COVID-19 pandemic; and
- the other matters described in the section titled “Item 3. Key Information—D. Risk Factors.”

You should read this Annual Report and the documents that we refer to in this Annual Report thoroughly with the understanding that our actual future results may be materially different from and worse than what we expect. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” “Item 5. Operating and Financial Review and Prospects,” and other sections in this Annual Report. You should read thoroughly this Annual Report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

This Annual Report also contains statistical data and estimates that we obtained from industry publications and reports generated by government or third-party providers of market intelligence. Although we have not independently verified the data, we believe that the publications and reports are reliable. However, the statistical data and estimates in these publications and reports are based on a number of assumptions and if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. In addition, due to the rapidly evolving nature of the industry in which we operate, projections or estimates about our business and financial prospects involve significant risks and uncertainties.

The forward-looking statements made in this Annual Report relate only to events or information as of the date on which the statements are made in this Annual Report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Annual Report and the documents that we refer to in this Annual Report and exhibits to this Annual Report completely and with the understanding that our actual future results may be materially different from what we expect.



**PART I**

**ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

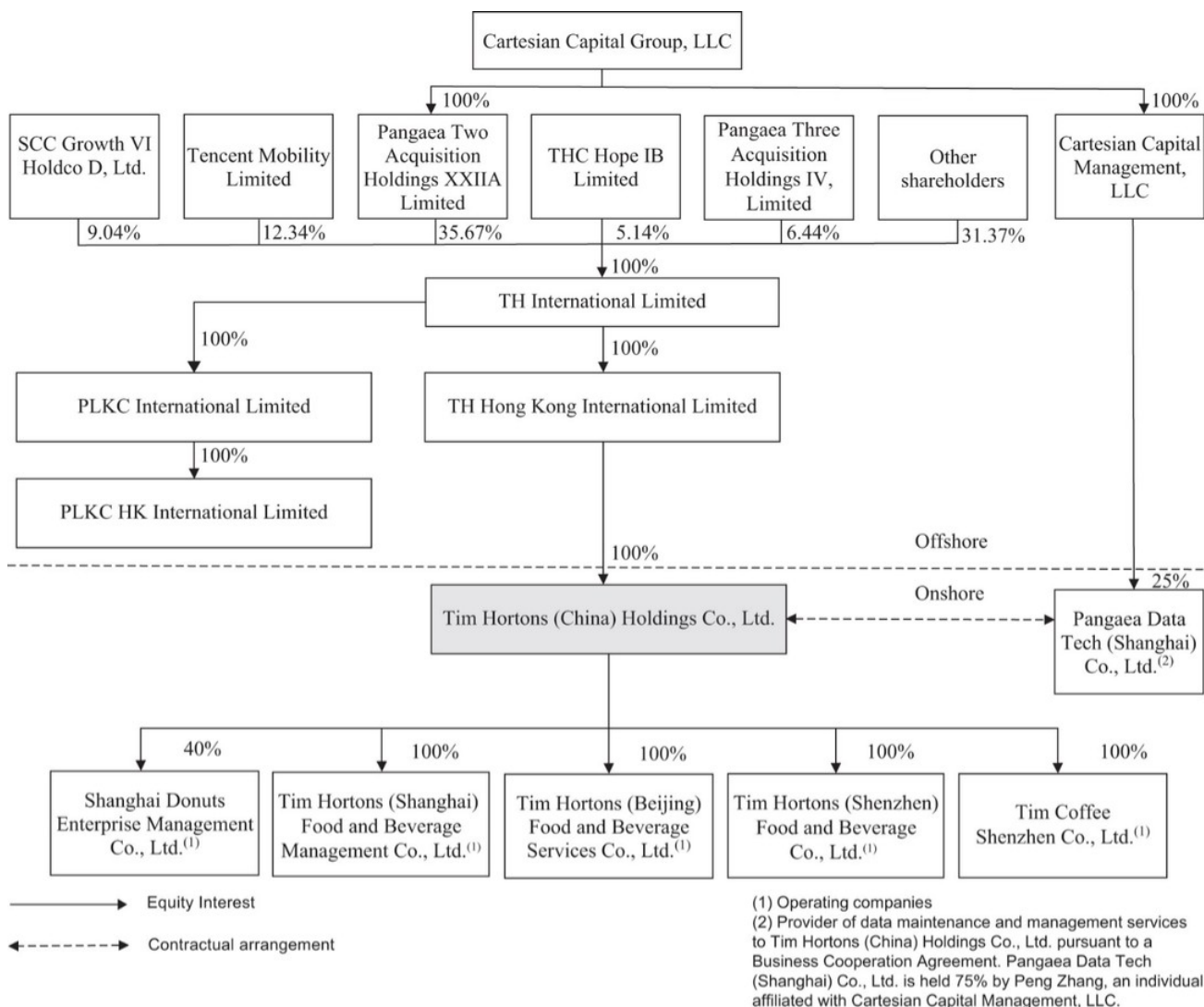
**ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3 KEY INFORMATION**

THIL is a Cayman Islands holding company that conducts its operations in mainland China through wholly owned subsidiaries. THIL is not a Chinese operating company and does not directly own any substantive business operations in mainland China. The securities you hold are securities of THIL, not those of its operating companies, and you may never directly hold any equity interests in its operating companies. This holding company structure involves unique risks to investors. For example, PRC regulatory authorities could disallow this operating structure and limit or hinder THIL's ability to conduct its business through, receive dividends from or transfer funds to the operating companies or maintain listing on a U.S. or other foreign exchange, which could cause the value of THIL's securities to significantly decline or become worthless. In addition, THIL and its subsidiaries incorporated under the laws of the PRC (the "PRC Subsidiaries") face various legal and operational risks associated with doing business in China. For a detailed description of the risks related to THIL's holding company structure and doing business in China, see "D. Risk Factors — Risks Related to Doing Business in China." These risks arise from, among other things, PRC governmental authorities' significant oversight and discretion over the business and financing activities of its PRC Subsidiaries, the complex and evolving PRC legal system, frequent changes in laws, regulations and government policies with little advance notice, uncertainties and inconsistencies regarding the interpretation and enforcement of laws and regulations, difficulties or delays in obtaining regulatory approvals for listing on a foreign stock exchange or conducting certain business activities and increasing oversight on cybersecurity and data privacy and potential anti-monopoly actions related to the PRC government's recently issued statements and instituted regulatory actions. These risks could result in a material change in the operations of THIL's PRC Subsidiaries and significantly limit or completely hinder THIL's ability to maintain listing on a U.S. or other foreign stock exchange, to accept foreign investments and to offer or continue to offer securities to foreign investors. THIL and its PRC Subsidiaries are also subject to various restrictions on intercompany fund transfers and foreign exchange control under current PRC laws and regulations and could be subject to additional, more onerous restrictions under new PRC laws and regulations that may come into effect in the future.

The following diagram illustrates THIL's corporate structure as of the date of this Annual Report.



Due to the existing and/or potential interventions in or the imposition of restrictions and limitations detailed below by the PRC government on the ability of THIL or its PRC Subsidiaries to transfer cash and/or non-cash assets based on existing or new PRC laws and regulations, cash and/or non-cash assets located in mainland China or held by its PRC Subsidiaries, such as Tim Hortons China and Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd., may not be available to fund THIL's foreign currency needs or any foreign operations that THIL may have in the future or for other uses outside of mainland China, and THIL may not be able to effectively utilize the proceeds from the offerings of its listed securities to fund the operations or liquidity needs of its PRC Subsidiaries.

**Dividends.** Dividends from its subsidiaries is an important source of financing for THIL. Restrictions on THIL's PRC Subsidiaries' ability to pay dividends to an offshore entity primarily include: (i) the PRC Subsidiaries may pay dividends only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with PRC accounting standards and regulations; (ii) each of the PRC Subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital; (iii) the PRC Subsidiaries are required to complete certain procedural requirements related to foreign exchange control in order to make dividend payments in foreign currencies; and (iv) a withholding tax, at the rate of 10% or lower, is payable by the PRC Subsidiary upon dividend remittance. Such restrictions under current PRC laws and regulations, or any new restrictions that could be imposed by new PRC laws and regulations that may come into effect in the future, could have a material and adverse effect on THIL's ability to distribute profits to its shareholders. As of the date of this Annual Report, neither THIL nor any of its subsidiaries has made any dividends or distributions to its parent company or any U.S. investor. THIL is not subject to any restrictions under Cayman Islands law on dividend distribution to its shareholders and currently intends to distribute cash dividends after it becomes profitable. Any determination to pay dividends in the future will be at the discretion of the Board. See "Item 8. Financial Information—Dividend Policy."

Subject to the passive foreign investment company rules discussed in detail under "Item 10. Additional Information—E. Taxation—Passive Foreign Investment Company", the gross amount of any distribution that THIL makes to investors with respect to its ordinary shares (including any amounts withheld to reflect PRC or other withholding taxes) will be taxable as a dividend, to the extent paid out of its current or accumulated earnings and profits, as determined under United States federal income tax principles. Furthermore, if THIL is considered a PRC tax resident enterprise for tax purposes, any dividends it pays to its overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. For further discussion on PRC and United States federal income tax considerations of an investment in THIL's ordinary shares, see "Item 10. Additional Information—E. Taxation."

**Capital expenses.** Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of mainland China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. As a result, THIL's PRC Subsidiaries are required to obtain approval from the State Administration of Foreign Exchange (the "SAFE") or complete certain registration process in order to use cash generated from their operations to pay off their respective debt in a currency other than Renminbi owed to entities outside mainland China, or to make other capital expenditure payments outside mainland China in a currency other than Renminbi. As of the date of this Annual Report, there has been no transfer of capital expenses among THIL and its subsidiaries.

**Shareholder loans and capital contributions.** THIL's subsidiaries may only access THIL's proceeds from the offerings of its listed securities through loans or capital contributions from THIL. Loans by THIL to its PRC Subsidiaries to finance their operations shall not exceed certain statutory limits and must be registered with the local counterpart of the SAFE, and any capital contribution from THIL to its PRC Subsidiaries is required to be registered with the competent PRC governmental authorities. As of the date of this Annual Report, THIL has transferred an aggregate of US\$245.7 million in cash to TH Hong Kong International Limited ("THHK") as capital injections and shareholder loans, and THHK has transferred an aggregate of US\$175.5 million in cash to Tim Hortons China and US\$25 million in cash to Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd. as capital injections and shareholder loans. See page F-13 of this Annual Report for additional information on the amount of cash balances held at financial institutions in mainland China and Hong Kong as of December 31, 2021 and 2022, respectively.

Based on the experience of its management team, THIL does not believe that remittance of cash and/or non-cash assets from Hong Kong, including cash and/or non-cash assets held by THHK, an intermediary holding company with no current business operations, is subject to the aforementioned interventions, restrictions and limitations by the PRC government or similar interventions, restrictions or limitations from the government of the HKSAR, nor does THIL believe such interventions, restrictions and limitations will be imposed on THHK or any future Hong Kong subsidiary that THIL may have in the foreseeable future. To the extent that THIL's cash and/or non-cash assets in Hong Kong or any cash and/or non-cash assets held by its Hong Kong Subsidiaries are subject to the aforementioned interventions, restrictions and limitations by the PRC government or the government of the HKSAR, then, as a result of such interventions, restrictions and limitations, such cash/assets may not be available to pay dividends to THIL, to fund the operations of THIL's subsidiaries outside Hong Kong or to be used outside of Hong Kong for other purposes. THIL does not currently have any cash management policy that dictates how funds shall be transferred between THIL and its subsidiaries, including its PRC Subsidiaries, THHK and any other non-PRC subsidiaries that it may have in the future, or among its subsidiaries.

In addition, THIL faces risks related to the fact that its auditor, KPMG Huazhen LLP, is an independent registered accounting firm based in mainland China. Under the Holding Foreign Companies Accountable Act, or the HFCAA, if the SEC determines that THIL has filed audit reports issued by a registered public accounting firm that has not been subject to inspections for three consecutive years, the SEC shall prohibit its securities from being traded on a national securities exchange or in the over the counter trading market in the U.S. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCAA, pursuant to which the SEC will identify an issuer as a “Commission-Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction and will impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. The Accelerating Holding Foreign Companies Accountable Act, or the AHFCAA, which was passed by the U.S. Senate on June 22, 2021 and enacted on December 23, 2022 shortens the three-consecutive-year compliance period under the HFCAA to two consecutive years and, as a result, reduces the time before the potential trading prohibition against or delisting of THIL’s securities. On December 29, 2022, the Consolidated Appropriations Act was signed into law, which contains, among other things, an identical provision to AHFCAA that reduces the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On December 16, 2021, the PCAOB issued a report notifying the SEC of its determination that it was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China or Hong Kong, including THIL’s auditor. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and THIL continues to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on its financial statements filed with the SEC, it would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that THIL would not be identified as a Commission-Identified Issuer for any future fiscal year, and if it were so identified for two consecutive years, it would become subject to the prohibition on trading under the HFCAA. For a detailed description of the related risks, see “D. Risk Factors — Risks Related to Doing Business in China — The PCAOB had historically been unable to inspect our auditors in relation to their audit work. Our securities likely will be delisted under the HFCAA if the PCAOB is unable to inspect our auditors for two consecutive years after we are identified by the SEC as a Commission-Identified Issuer. The delisting of our securities, or the threat of our securities being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections will deprive investors of the benefits of such inspections.”

**A [Reserved]**

**B Capitalization and Indebtedness**

Not applicable.

**C Reasons for the Offer and Use of Proceeds**

Not applicable.

**D Risk Factors**

**Summary Risk Factors**

- THIL has a limited operating history in China, which makes it difficult to predict its business, financial performance and prospects, and THIL may not be able to maintain its historical growth rates in future periods.
- THIL may not be able to successfully execute its strategies, sustain its growth or manage the increasing complexity of its business.
- Economic conditions have adversely affected, and may continue to adversely affect, consumer discretionary spending, which could negatively impact THIL’s business, financial condition and results of operations.

- Uncertainties relating to the growth of China’s coffee industry and food and beverage sector could adversely affect THIL’s results of operations and business prospects.
- Food safety concerns and concerns about the health risk of THIL’s products may have an adverse effect on its business.
- The COVID-19 pandemic has adversely affected and may from time to time adversely affect THIL’s financial condition and results of operations in the future.
- If relations between China and the United States or China and Canada deteriorate, THIL’s business, results of operations and financial condition could be adversely affected.
- If THIL is unable to maintain or increase prices, it may fail to maintain a positive margin.

In addition, THIL and its PRC Subsidiaries face various other legal and operational risks associated with doing business in China, which could result in a material change in the operations of THIL’s PRC Subsidiaries, cause the value of THIL’s securities to significantly decline or become worthless, and significantly limit or completely hinder its ability to accept foreign investments and offer or continue to offer securities to foreign investors. These risks include:

- The offering of THIL securities may be subject to additional disclosure requirements and review that the SEC or other regulatory authorities in the United States may adopt for companies with China-based operations, which could increase THIL’s compliance costs, subject it to additional disclosure requirements, and/or suspend or terminate its future securities offerings. See “D. Risk Factors — Risks Related to Doing Business in China — Additional disclosure requirements to be adopted by and regulatory scrutiny from the SEC in response to risks related to companies with substantial operations in China, which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult.”
- Regulatory developments in mainland China, in particular with respect to restrictions on companies based in mainland China raising capital offshore and the government-led cybersecurity reviews of certain companies, may lead to additional PRC regulatory review over THIL’s financing and capital raising activities in the United States. The approval and/or other requirements of PRC governmental authorities, such as the China Securities Regulatory Commission (the “CSRC”) and the Cyberspace Administration of China (the “CAC”), may be required under PRC laws, regulations or policies. See “D. Risk Factors — Risks Related to Doing Business in China — The approval and/or other requirements of Chinese governmental authorities may be required in connection with our future issuance of securities to foreign investors under PRC laws, regulations or policies.”
- PRC governmental authorities have significant oversight and discretion over the business operations of THIL’s PRC Subsidiaries and may seek to intervene or influence such operations at any time that the government deems appropriate to further its regulatory, political and societal goals. In addition, the PRC governmental authorities may also exert more control over offerings that are conducted overseas and/or foreign investment in issuers based in mainland China. The PRC government’s exertion of more control over offerings conducted overseas and/or foreign investment in issuers based in mainland China could result in a material change in the operations of THIL’s PRC Subsidiaries, significantly limit or completely hinder THIL’s ability to offer or continue to offer securities to investors, and cause the value of THIL’s securities to significantly decline or be worthless. See “D. Risk Factors — Risks Related to Doing Business in China — PRC governmental authorities’ significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our securities.”
- THIL’s business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China, including, among others, overall economic growth, level of urbanization and level of per capita disposable income. See “D. Risk Factors — Risks Related to Doing Business in China — Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.”

- THIL is subject to significant uncertainty and inconsistency regarding the interpretation and enforcement of many PRC laws and regulations, and these laws and regulations can change quickly with limited advance notice. See “D. Risk Factors — Risks Related to Doing Business in China — The business operations of our PRC Subsidiaries are subject to various PRC laws and regulations, the interpretation and enforcement of which involve significant uncertainties as the PRC legal system is evolving rapidly.”
- Due to the existing and/or potential interventions in or the imposition of restrictions and limitations by the PRC government on the ability of THIL or its PRC Subsidiaries to transfer cash and/or non-cash assets based on existing or new PRC laws and regulations, THIL’s cash and/or non-cash assets located in mainland China or held by THIL’s PRC Subsidiaries, such as Tim Hortons China and Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd., may not be available to fund its foreign currency needs or any foreign operations that it may have in the future or for other uses outside of mainland China, and THIL may not be able to effectively utilize the proceeds from the offerings of its listed securities to fund the operations or liquidity needs of its PRC Subsidiaries. For example, payment of dividends by THIL’s PRC Subsidiaries is subject to various restrictions, loans by THIL to its PRC Subsidiaries to finance their operations are subject to certain statutory limits and must be registered with the local counterpart of the SAFE, and any capital contribution from THIL to its PRC Subsidiaries is required to be registered with the competent PRC governmental authorities. Based on the experience of its management team, THIL does not believe that remittance of cash and/or non-cash assets from Hong Kong, including cash and/or non-cash assets held by THHK, a wholly-owned subsidiary of THIL incorporated under the laws of the HKSAR with no current business operations, is subject to the aforementioned interventions, restrictions and limitations by the PRC government or similar interventions, restrictions or limitations from the government of the HKSAR. To the extent that THIL’s cash and/or non-cash assets in Hong Kong or any cash and/or non-cash assets held by its Hong Kong Subsidiaries are subject to the aforementioned interventions, restrictions and limitations by the PRC government or the government of the HKSAR, then, as a result of such interventions, restrictions and limitations, such cash/assets may not be available to pay dividends to THIL, to fund the operations of THIL’s subsidiaries outside Hong Kong or to be used outside of Hong Kong for other purposes. See “D. Risk Factors — Risks Related to Doing Business in China — Restrictions on our subsidiaries on paying dividends or making other payments to us under existing or new laws and regulations of the PRC and the HKSAR may restrict our ability to satisfy our liquidity requirements” and “Foreign exchange controls may limit our ability to effectively utilize our revenues and the proceeds from the offerings of our listed securities and adversely affect the value of your investment.”
- The PCAOB had been unable to inspect THIL’s auditors. THIL’s securities will likely be prohibited from trading in the United States under the HFCAA if the PCAOB is unable to inspect or investigate completely auditors located in China. See “D. Risk Factors — Risks Related to Doing Business in China — The PCAOB had historically been unable to inspect our auditors in relation to their audit work. Our securities likely will be delisted under the HFCAA if the PCAOB is unable to inspect our auditors for two consecutive years after we are identified by the SEC as a Commission-Identified Issuer. The delisting of our securities, or the threat of our securities being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections will deprive investors of the benefits of such inspections.”

- THIL is a Cayman Islands holding company that conducts its operations in mainland China through wholly owned subsidiaries. A majority of THIL's assets, its entire management team and three of its directors are based in mainland China, and one of its directors is based in Hong Kong. Therefore, it may be difficult or costly for you to effect service of process within the U.S., enforce judgments of U.S. courts against THIL, its officers or these directors based upon the civil liability provisions of the U.S. federal securities laws or bring an original action in an appropriate foreign court to enforce liabilities against THIL, its officers or these directors or any person based upon the U.S. federal securities laws. See "D. Risk Factors — Risks Related to Doing Business in China — Your ability to effect service of legal process, enforce judgments or bring actions against us or certain of our officers and directors outside the U.S. will be limited and additional costs may be required."

### **Risks Related to THIL's Business and Industry**

***We have a limited operating history in China, which makes it difficult to predict our business, financial performance and prospects, and we may not be able to maintain our historical growth rates in future periods.***

We opened our first coffee shop in China in February 2019. Although, as of December 31, 2022, we had grown to 617 system-wide stores across 39 cities in mainland China, our limited operating history may not be indicative of our future growth or financial results. Our growth rates may decline for any number of possible reasons, some of which are beyond our control. This includes changes to the general and specific market conditions, such as decreased customer spending, increased competition, declining growth in China's coffee industry or China's food and beverage sector in general, the emergence of alternative business models, COVID-19 outbreaks and the related control measures or changes in government policies or general economic conditions. We plan to continue to expand our store network and product offerings to bring greater convenience to our customers and to increase our customer base and number of transactions. However, we may decide to slow down the pace of our store network expansion, the execution of our expansion plan is subject to uncertainty, and the number of orders and items sold may not grow at the rate we expect for the reasons stated above and the other reasons disclosed in this section. In addition, under our Amended and Restated Master Development Agreement with Tim Hortons Restaurants International GmbH ("THRI"), a subsidiary of RBI, dated August 13, 2021, as amended (the "A&R MDA"), the monthly royalty rate for stores owned and operated by our PRC Subsidiaries (the "company owned and operated stores") and franchise stores opened from January 1, 2021 to August 30, 2021 are higher than the monthly royalty rate for stores opened before January 1, 2021, and the monthly royalty rate for stores opened from September 2022 to August 2023, from September 2023 to August 2024 and from September 2024 to August 2025 will be higher than the monthly royalty rate for stores opened in the immediately prior 12-month period. If our growth rates decline, investors' perceptions of our business and prospects may be adversely affected, and the market price of our securities could decline.

***We may not be able to successfully execute our strategies, sustain our growth or manage the increasing complexity of our business.***

To maintain our growth, our business strategies must be effective in maintaining and strengthening customer appeal and delivering sustainable growth in guest traffic and spending. Whether these strategies can be successful depends mainly on our ability to:

- capitalize on the Tim Hortons brand and localization expertise to enhance our ability to attract and retain customers;
- contribute to the overall cultural acceptance of coffee as a daily consumption;
- continue to innovate and differentiate our products and services;
- continue to identify strong prospective sites for new store development and efficiently build stores in such areas;
- integrate and augment our technology and digital initiatives, including mobile ordering and delivery;
- continue to operate stores with high service levels, while creating efficiencies from greater scale and through innovative use of technology;

- leverage our strategic partnerships and support from investors;
- accelerate our existing strategies, including through organic growth opportunities and partnerships; and
- continue to effectively hire, train, manage and integrate new employees.

If we are delayed or unsuccessful in executing our strategies, or if our strategies do not yield the desired results, our business, financial condition and results of operations may suffer.

***Economic conditions have adversely affected, and may continue to adversely affect, consumer discretionary spending, which could negatively impact our business, financial condition and results of operations.***

We believe that our store sales, guest traffic and profitability are strongly correlated to consumer discretionary spending on food and beverage in general and freshly-brewed coffee in particular, which is mainly influenced by general economic conditions, unemployment levels, the availability of discretionary income and, ultimately, consumer confidence. A protracted economic slowdown, increased unemployment and underemployment of our customer base, decreased salaries and wage rates, inflation, rising interest rates or other industry-wide cost pressures adversely affect consumer behavior by weakening consumer confidence and decreasing consumer discretionary spending. For instance, economic growth in China has been slowing in the past few years and China's GDP growth dropped to 2.2% in 2020 due to the COVID-19 outbreak before recovering to 8.1% in 2021, which then dropped again to 3.0% in 2022. Governmental or other responses to economic challenges may be unable to restore or maintain consumer confidence. As a result of these factors, we may experience reduced sales and profitability, which may cause our business, financial condition and results of operations to suffer.

***We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.***

The U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the ongoing military conflict between Russia and Ukraine. Although we do not have any operations outside of mainland China nor any business relationships, connections to, or assets in, Russia, Belarus, or Ukraine, our business, financial condition and results of operations have been, and could continue to be, indirectly and adversely affected by the ongoing military conflict between Russia and Ukraine. Such impact arises from: (i) volatility in the global supply of wheat, corn, barley, sunflower oil and other agricultural commodities; (ii) higher food prices due to supply constraints and the general inflationary impact of the war; (iii) increases in energy prices globally, in particular for electricity and fossil fuels such as crude oil and natural gas, and related transportation, freight and warehousing costs; and (iv) disruptions to logistics and supply chains. If the price of our products and services increases at a rate that is either unaffordable to our customers or insufficient to compensate for the rise in our costs and expenses, our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to increased instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds.

The extent and duration of the military action, sanctions and resulting market and supply chain disruptions are highly unpredictable but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report.



***Uncertainties relating to the growth of China’s coffee industry and food and beverage sector could adversely affect our results of operations and business prospects.***

The demand for our products and our future results of operations will depend on numerous factors affecting the development of China’s coffee industry and the food and beverage sector in general, many of which are beyond our control. These factors include governmental regulations and policies, investments in these industries, and the popularity and perception of coffee and foreign food in China. A decline in the popularity of coffee, especially freshly-brewed coffee, or any failure by us to adapt our strategies in response to trends in China’s coffee industry and food and beverage sector in general may adversely affect our results of operations and business prospects.

***Food safety concerns and concerns about the health risk of our products may have an adverse effect on our business.***

Food safety is a top priority for us, and we dedicate substantial resources to ensure that our customers enjoy safe and high-quality food products. However, foodborne illnesses and other food safety issues have occurred in the food industry in the past and could occur in the future. Also, our reliance on third-party food suppliers, distributors and food delivery aggregators increases the risk that foodborne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single restaurant. Any report or publicity, including through social media, linking us or one of our sub-franchisees or suppliers to instances of foodborne illness or other food safety issues, including food tampering, adulteration or contamination, could adversely affect our image and reputation as well as our sales and profits. Such occurrences at restaurants of competitors could adversely affect sales as a result of negative publicity about the industry generally. The occurrence of foodborne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain, significantly increase costs and/or lower margins for us and our sub-franchisees.

In addition, there is increasing consumer awareness of, and increased media coverage on, the alleged adverse health impacts of consumption of various food products in China. Some of our products contain caffeine, dairy products, fats, sugar and other compounds and allergens, the health effects of which are the subject of public scrutiny, including the suggestion that excessive consumption of caffeine, dairy products, sugar and other compounds can lead to a variety of adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in our products, or negative publicity or litigation arising from other health risks such as obesity, could significantly reduce the demand for our beverages and food products. Additionally, there may be new laws and regulations that could impact the ingredients and nutritional content of our menu offerings, or laws and regulations requiring us to disclose the nutritional content of our food offerings. A decrease in customer traffic as a result of these health concerns or negative publicity could materially and adversely affect our image and our business.

***COVID-19 or other infectious diseases may from time to time adversely affect our financial condition and results of operations in the future.***

A novel coronavirus, known as SARS-CoV-2, causes COVID-19. COVID-19 was first reported in December 2019 and was subsequently declared a pandemic by the World Health Organization in March 2020. In recent years, the pandemic continues to rapidly evolve around the world, with several new COVID-19 variants discovered. The COVID-19 pandemic has adversely affected our store operations and the sales of affected stores from 2020 to early 2023, primarily as a result of temporary store closures, reduced operating hours and decreased customer traffic. In late January and February 2020, our total sales dropped by approximately 20% – 30% compared to pre-COVID levels. In late 2020, our dine-in business was again negatively affected for a brief period due to a moderate resurgence of COVID-19 cases. From March to December 2022, the outbreak of the Omicron variant of COVID-19 and the zero-COVID measures, such as lengthy city-wide lock-downs, undertaken in certain cities in which our PRC Subsidiaries operate (including Shanghai, where we have the highest number of stores) have caused significant disruptions to our operations in these cities, such as temporary closure of certain stores as a result of the lock-downs imposed in these cities, restrictions on delivery services in locked-down areas, shortage of production, service and delivery staff, slower pace of store network expansion, and volatility in the supply and price of raw materials and intermediary products. See “— We face risks related to the fluctuations in the cost, availability and quality of our raw materials and pre-made products, as well as third-party data maintenance and management services, technical support and consulting services, which could adversely affect our results of operations.” In the fourth quarter of 2022, many cities across China experienced peaks in infection rates, and we had approximately 48 daily temporary store closures on average, over twice as many compared to approximately 23 daily temporary store closures on average in the third quarter of 2022.

While the “zero-COVID control measures” by the PRC government authorities were ended in December 2022 and COVID-related lock-downs in China have been lifted, concerns about the transmission of COVID-19 or other infectious diseases and mandates or orders from government authorities could continue to affect consumer behaviors, such as less time spent commuting or outside the home, leading to fewer store visits and more food and beverage prepared and consumed at home. In addition, the COVID-19 pandemic has had an adverse impact on the global and local supply chain, including the availability and costs of certain raw materials, such as imported coffee beans. The extent to which our operations could be impacted by the COVID-19 pandemic or other infectious diseases will depend largely on future developments, including, but not limited to, the resurgence and further spread of COVID-19 cases, the actions taken by government authorities to mitigate the spread of these diseases, the effectiveness of those efforts and the availability and effectiveness of vaccines, which are highly uncertain and cannot be accurately predicted. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section.

***If we fail to grow our customer base or are unable to encourage customers to make repeat purchases in a cost-effective manner, our business, financial condition and results of operations may be materially and adversely affected.***

Our continued success depends on our ability to cost-effectively attract and retain customers. We have invested, and plan to continue to invest, significantly in branding, sales and marketing to acquire and retain customers since our inception. There can be no assurance that customers will stay with us or that the revenues from first-time customers will ultimately exceed the cost of acquiring these customers. In addition, if we reduce or discontinue our current promotions, if our existing customers no longer find our products appealing or if our competitors offer more attractive products, prices or discounts or better customer service, our sales could suffer. If we are unable to grow our customer base or encourage customers to make repeat purchases in a cost-effective manner, our revenues may decrease, and our results of operations will be adversely affected.

***If we do not successfully develop new products or product extensions or otherwise enhance customer experience, our business could suffer.***

New product development is a key driver of our long-term success. Our revenues are heavily influenced by our ability to develop and launch new and innovative products that are well received by consumers. We have devoted significant resources to launching and promoting new products from time to time, such as new coffee flavors and localized non-coffee beverages and food items, to serve a broader customer base and adapt to changes in market trends and shifts in customer tastes and preferences. However, our PRC Subsidiaries may not be successful in developing innovative new products, and our new products may not be favored by customers or commercially successful. To the extent that our PRC Subsidiaries are not able to respond to changes in consumer taste and preferences in a timely manner and successfully identify, develop and promote new or improved products, our business, financial condition and results of operations may be materially and adversely affected.

***Our PRC Subsidiaries may not be able to operate our stores in the manner consistent with the procedures, requirements or standards set by our franchise agreements with THRI, which in turn could materially and adversely affect our business, financial condition and results of operations.***

Our A&R MDA and our amended and restated company franchise agreement with THRI, among other things, set forth the procedures, requirements or standards for our store operations, including food safety, sanitation and workplace safety standards, and the obligations of THIL, its subsidiaries and all entities controlled by THIL. Our PRC Subsidiaries may not be able to successfully operate each of our stores in a manner consistent with such procedures, requirements or standards, or fulfill our obligations under such agreements, including with respect to store opening targets and quality control, and we may not be able to timely identify and rectify such issues, if at all. We also cannot assure you that we will be able to extend the term of the A&R MDA after the current term expires or that THRI will not unilaterally terminate the A&R MDA pursuant to its terms before the current term expires. If any of the foregoing were to occur, our business, financial condition and results of operations could be materially and adversely affected.

***A failure by THRI, or us in assisting THRI, in protecting the intellectual property rights critical to our success could adversely affect our business, financial condition and results of operations.***

Our business depends in part on consumers' perception of the strength of the Tim Hortons brand. Under the terms of the A&R MDA, we are required to assist THRI with protecting its intellectual property rights in the territories in which we operate. Nevertheless, any failure by THRI, or us in assisting THRI, in protecting its intellectual property rights in the territories in which we operate or elsewhere could harm the brand image of Tim Hortons, which could adversely affect our competitive position, our business, financial condition and our results of operations.

Third parties may knowingly or unknowingly infringe, misappropriate or otherwise violate intellectual property rights critical to our success and competitive position despite efforts to prevent such infringement and may challenge such intellectual property rights before a judicial or administrative body. Litigation, which could result in substantial costs and diversion of our resources, may be necessary to enforce such intellectual property rights and protect our proprietary information. However, the interpretation and implementation of laws and regulations governing intellectual property rights in mainland China are still evolving and involve a significant degree of uncertainty. If litigation were to be pursued to assert or demand intellectual property or proprietary rights, an adverse decision could limit the value of such intellectual property or proprietary rights, while a favorable decision may not necessarily be successfully enforced or award adequate damages. As such, it may not be possible for THRI or us to timely and adequately protect the intellectual property rights critical to our success and competitive position, if at all, which could weaken our competitive advantage, harm our image and materially and adversely impact our business, financial condition and results of operations.

***Our franchise business model presents a number of risks. Our results are affected by the success of independent sub-franchisees, over which we have limited control.***

We had 70 franchise stores as of December 31, 2022, all of which are operated by independent operators with whom Tim Hortons China entered into franchise agreements. Under these franchise agreements, Tim Hortons China will receive monthly payments from the sub-franchisees, which are a percentage of the sub-franchised restaurant's gross sales. In 2020, 2021 and 2022, revenue attributable to such sub-franchisees accounted for approximately 0.4%, 0.3% and 0.5% of our total revenues, respectively. Our future prospects depend on (i) our ability to attract new sub-franchisees that meet our criteria and (ii) the willingness and ability of sub-franchisees to open stores in existing and new markets. We may be unable to identify sub-franchisees who meet our criteria, or if we identify such sub-franchisees, they may not successfully implement their expansion plans. Furthermore, sub-franchisees may not be willing or able to renew their franchise agreements with us due to low sales volumes, high real estate costs or regulatory issues. If our sub-franchisees fail to renew their franchise agreements, our revenues attributable to such sub-franchisees may decrease, which in turn could materially and adversely affect our business and operating results.

We have limited influence over sub-franchisees and the enforcement of sub-franchise obligations under our agreements with them may be limited due to bankruptcy or insolvency proceedings. While Tim Hortons China has the right to mandate certain strategic initiatives under the franchise agreements, we will need the active support of our sub-franchisees if the implementation of these initiatives is to be successful. The failure of these sub-franchisees to support our marketing programs and strategic initiatives could adversely affect our ability to implement our business strategy and could materially harm our business, results of operations and financial condition. In addition, our sub-franchisees are contractually obliged to operate restaurants in accordance with certain operating procedures and transact only with approved suppliers, distributors and products. However, sub-franchisees may not successfully operate stores in a manner consistent with THRI's and our standards and requirements or standards set by applicable laws and regulations, including food handling procedures, product quality, sanitation and pest control standards. Any operational shortcoming of a sub-franchise store is likely to be attributed by guests to us, thus damaging our reputation and potentially affecting our revenues and profitability. Any lack of requisite approvals, licenses or permits applicable to our sub-franchisees' business, while will not subject us to additional legal or administrative liabilities by law, could adversely affect our reputation and results of operations. We may not be able to identify problems and take effective action quickly enough, and as a result, our image and reputation may suffer, and our franchise revenues and results of operations could decline. Challenges in obtaining specific financial and operational results from our sub-franchisees in a consistent and timely manner could also negatively impact our business, financial condition and results of operations.

***Our PRC Subsidiaries or sub-franchisees may not be able to secure desirable store locations to maintain and effectively grow our store portfolios.***

The success of any quick-service restaurant depends in substantial part on its location. The current locations of any of our system-wide stores may not continue to be attractive as demographic patterns change. Neighborhood or economic conditions where any of our company owned and operated stores or franchised stores are currently located could decline in the future, resulting in potentially reduced sales in those locations. Competition for restaurant locations can also be intense, and there may be delay or cancellation of new site developments by developers and landlords, which may be exacerbated by factors related to the commercial real estate or credit markets. If our PRC Subsidiaries or sub-franchisees are unable to obtain desirable locations for our restaurants at reasonable prices due to, among other things, higher-than- anticipated construction and/or development costs, difficulty negotiating leases with acceptable terms, discontinuation of our strategic collaboration with Easy Joy, China's largest convenience store chain with more than 27,800 convenience stores, and Freshippo, Alibaba Group's (NYSE: BABA) retail chain for groceries and fresh goods, onerous land-use restrictions, or challenges in securing required governmental permits, then our ability to execute our growth strategies may be adversely affected. In addition, the competition for retail premises is intense in China. Based on their size advantage and/or their greater financial resources, some of our competitors may have the ability to negotiate more favorable lease terms than we can, and some landlords and developers may offer priority or grant exclusivity to some of our competitors for desirable locations. Failure to secure desirable store locations on commercially reasonable terms, or at all, could have a material adverse effect on our business, results of operations and ability to implement our growth strategy.

***Opening new stores in existing markets may negatively affect sales at our existing stores.***

The target customer base of our stores varies by location, depending on a number of factors, including population density, the presence of other stores and local demographics and geography. As a result, the opening of a new restaurant in or near markets in which we already have stores could adversely affect the restaurant sales of those existing stores. Cannibalization of restaurant sales within our system may become significant in the future as we continue to expand our operations, which could adversely affect our business, financial condition or results of operations.

***We face risks related to the fluctuations in the cost, availability and quality of our raw materials and pre-made products, as well as third-party data maintenance and management services, technical support and consulting services, which could adversely affect our results of operations.***

The cost, availability and quality of our principal raw materials, such as imported coffee beans, locally- sourced dairy products, and pre-made food and beverage items, are critical to the operations of our stores. The market for high-quality coffee beans is particularly volatile, both in terms of price changes and available supply. In particular, the COVID-19 pandemic, rising inflation and geopolitical tensions, including the war in Ukraine, have had, and could continue to have, an adverse impact on the global supply chain, including the availability and costs of certain raw materials, such as imported coffee beans. For example, the unit price of coffee beans has continued to increase since our inception and was approximately 56.4% higher in December 2022 than December 2021. If the cost of raw materials and pre-made products continues to increase due to seasonal shifts, climate conditions, industry demand, changes in international commodity markets or freight and logistics market, adverse trade policies, supply or labor shortages, rising transportation costs, higher inflation and other factors, we may not be able to fully offset such higher costs through price increases, and our inability or failure to do so could harm our business, financial condition and results of operations. In addition, as many of our coffee condiments and pre-made products have a relatively short shelf life, frequent and timely supply of these products is essential to our operations. Lack of availability of these products that meet our or THRI's quality standards or timing requirements, whether due to shortages in supply, delays or interruptions in processing or transportation, failure of timely delivery or otherwise, could interrupt our operations and adversely affect our financial results.

In addition, we and our PRC Subsidiaries rely, and expect to continue to rely, significantly on DataCo to provide data maintenance and management services, technical support and consulting services in support of the operation of our loyalty program. For a more detailed description, see the section of this Annual Report titled “Item 4. Information on the Company—B. Business Overview — Digital Technology and Information Systems.” Any failure by DataCo to provide these services to our satisfaction, whether in terms of quality or timeliness, could have a material adverse effect on our business, financial condition and results of operations. Under our Business Cooperation Agreement with DataCo, Tim Hortons China shall pay a service fee to DataCo on an annual basis (or at any time agreed by the parties), which shall be reasonably determined by DataCo based on (i) the complexity and difficulty of the services, (ii) the seniority of and time consumed by the employees of DataCo providing the services; the specific content, scope and value of the services; and (iv) the market price for similar services. Should DataCo fail to meet our expectations or unreasonably charge us for the services, we may be unable to find an alternative service provider in a timely manner, or at all, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

***We face intense competition in China’s coffee industry and food and beverage sector. Failure to compete effectively could lower our revenues, margins and market share.***

The coffee industry and food and beverage sector in China are intensely competitive, including with respect to product quality, innovation, service, convenience and price, and we face significant and increasing competition in all these areas from both new and well-established quick service restaurants and coffee chains, independent local coffee shop operators, convenience stores and grocery stores. Some of our competitors have substantially greater financial resources, higher revenues and greater economies of scale than we do. These advantages may allow them to implement their operational strategies or benefit from changes in technologies more quickly or effectively than we can. Continued competition from existing competitors or potential competition from new entrants could hinder growth and adversely affect our sales and results of operations. If we are unable to maintain our competitive position, we could experience decreased demand for products, downward pressure on prices and reduced margins, and we may not be able to take advantage of new business opportunities to grow our market share.

***If we are unable to maintain or increase prices, we may fail to maintain a positive margin.***

We rely in part on price increases to offset cost increases and improve the profitability of our business. Our ability to maintain prices or effectively implement price increases may be affected by a number of factors, including raw material market price fluctuation, competition, effectiveness of our marketing programs, the continuing strength of our brand, market demand and general economic conditions, including inflationary pressures. In particular, in response to increased promotional activity by our competitors, we may have to increase our promotional spending, which may adversely impact our gross margins. If we are unable to maintain or increase prices for our products or must increase promotional activity, our margins could be adversely affected. Furthermore, price increases generally result in volume losses, as consumers make fewer purchases. If such losses are greater than expected or if we lose sales due to price increases, our business, financial condition and results of operations may be materially and adversely affected. In January 2022, we raised the list price of our beverage products, including coffees, by RMB1 to RMB2 per cup (or approximately 5 – 8% of the list price) and reduced the rate of our promotional discounts by 3 – 5%. However, there can be no assurance that such price increases will be able to offset increased costs and expenses resulting from rising inflation, geopolitical tensions, COVID-19 outbreaks and related control measures, and supply chain disruptions.

***Our e-commerce business and use of social media may expose us to new challenges and risks and may adversely affect our business, results of operations and financial condition.***

Recognizing the rise of the digital economy in China, we have built a network of e-commerce partnerships that encompass online ordering, delivery and merchandise. Customers may place takeout orders for our products through online food ordering and delivery platforms or our Weixin mini programs. In addition, we have opened a store on the Alibaba Group's Tmall online marketplace. These third-party online platforms have significant influence over how our products are displayed, reviewed and promoted and may provide our competitors with more favorable terms. As our business continues to grow, we expect to deepen our collaboration with e-commerce business partners and increase our investment in marketing, advertising and additional promotional activities in the e-commerce space. However, these relationships may expose us to new challenges and risks, divert management attention and adversely affect our business, financial condition and results of operations. If we fail to maintain or renew our agreements with third party aggregators or third party-mobile payment processors on acceptable terms, this may adversely affect our business, financial condition and results of operations. Moreover, damages, interruptions or failures in delivery services, which may be caused by unforeseen events that are beyond our control or the control of third-party aggregators and outsourced riders, could prevent the timely or successful delivery of our products. In addition, the usage of mobile internet and adoption of mobile payment may not continue to grow as quickly as we estimate.

We also rely heavily on social media to grow our business. As we expand our product offerings, we expect to make additional investment in advertising and promotional activities through social media. If consumer sentiment towards social media changes or a new medium of communication becomes more mainstream, we may be required to fundamentally change our current marketing strategies, which could require us to incur significantly more costs. Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about the Tim Hortons brand, exposure of personally identifiable information, fraud, hoaxes or malicious distribution of false information. The inappropriate use of social media by our customers, employees or former employees could increase our costs, lead to litigation or result in negative publicity that could damage our reputation and adversely affect our results of operations. Additionally, our competitors may spend significantly more on social media marketing and advertising than we are able to at this time, and our efforts to grow our social media presence may not be as effective as we expect. If the expenses that we incur in developing our social media presence do not deliver the expected returns, our business, results of operations and financial condition may be materially and adversely affected.

***Our success is dependent on the strengths and market perception of the Tim Hortons brand, and any failure to maintain, protect and strengthen the Tim Hortons brand and its reputation would hurt our business and prospects.***

Our success is dependent on the strengths and market perception of the Tim Hortons brand, which is owned by THRI. We have no control over the management or operations of THRI's business or the businesses of THRI's other franchisees. If THRI were to allocate resources away from the Tim Hortons brand or were not to succeed in preserving the value and relevance of the Tim Hortons brand, or if any other THRI's franchisee acts in a way that harms the Tim Hortons brand, our business and prospects could be materially and adversely affected. Our ability to maintain, protect and strengthen the Tim Hortons brand in China also depends on a number of other factors, many of which are outside our control, including those set forth below:

- complaints or negative publicity about us, the features, safety and quality of our products, our senior management, our business partners or our business practices, even if factually incorrect or based
- on isolated incidents;
- negative reviews of our products or customer service on social media and crowdsourced review platforms;
- campaigns against the nutrition and health effects of coffee, tea, or sweets or negative perceptions of quick-service restaurants in general;
- illegal, negligent, reckless or otherwise inappropriate behavior by our employees, former employees, service providers or business partners;
- litigation over, or regulatory investigations into, our business; and

- any of the foregoing with respect to our competitors, to the extent such resulting negative perception affects the public's perception of our industry as a whole.

Consumer demand for our products could diminish as a result of any of the foregoing, which could have a material adverse effect on our business, financial condition and results of operations.

***Changes in international trade policies and international barriers to trade, or the escalation of trade tensions, may have an adverse effect on our business.***

Recent international trade disputes and political tensions, including those between China and the United States and China and Canada, and the uncertainties created by such disputes may disrupt the transnational flow of goods, harming the Chinese economy and our business. International trade and political disputes could result in tariffs and other protectionist measures that could increase our operating costs as well as the cost of goods and products, which could affect our customer's discretionary spending level. In addition, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence and have a material adverse effect on our business, financial condition and results of operations.

***If relations between China and the United States or China and Canada deteriorate, our business, results of operations and financial condition could be adversely affected.***

At various times during recent years, the United States and China and Canada and China have had significant disagreements over monetary, economic, political and social issues and future relations between the United States and China and/or Canada and China may deteriorate. Changes in political conditions and changes in the state of geopolitical relations are difficult to predict and could adversely affect our business, results of operations and financial condition. In addition, because of our extensive operations in the Chinese market and because the Tim Hortons brand has roots in, and continues to be tied to, Canada, any deterioration in political or trade relations might cause a public perception that might cause our products to become less attractive. We cannot predict the extent to which adverse changes in China-U.S. or China- Canada relations will impact our ability to access capital or effectively do business in China. See “— Risks Related to Doing Business in China — Additional disclosure requirements to be adopted by and regulatory scrutiny from the SEC in response to risks related to companies with substantial operations in China, which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult” for more information.

***If our PRC Subsidiaries fail to manage inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.***

Our inventories are mostly coffee beans, coffee condiments, tea leaves, tea powder and pre-made food and beverage items with short shelf life, which require our PRC Subsidiaries to manage inventory effectively. Our PRC Subsidiaries depend on demand forecasts for various kinds of raw materials and pre-made products to make purchase decisions and to manage inventory. Such demand, however, can change significantly between the time inventory is ordered and the date by which our PRC Subsidiaries hope to sell it. Demand may be affected by seasonality, new product launches, pricing and discounts, product defects, changes in customer spending patterns, changes in customer tastes and other factors, and our customers may not order products in the quantities that our PRC Subsidiaries expect. In addition, when our PRC Subsidiaries begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast demand. The acquisition of certain types of inventory may require significant lead time and prepayment and they may not be returnable.

Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of products and raw materials in our inventory, which will make it more challenging for our PRC Subsidiaries to manage inventory and logistics effectively. We cannot guarantee that our inventory levels will be able to meet the demands of customers, which may adversely affect our sales. We also cannot guarantee that all of our inventories can be consumed within their shelf lives. If our PRC Subsidiaries fail to manage inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory value, and significant inventory write-downs or write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if our PRC Subsidiaries underestimate demand for the products and services they offer, or if their suppliers fail to supply quality raw materials and pre-made products in a timely manner, they may experience inventory shortages, which might result in diminished brand loyalty and lost revenues, any of which could harm our business and reputation.

***Our business is subject to seasonal fluctuations and unexpected interruptions.***

We experience seasonality in our business. Our PRC Subsidiaries generally experience fewer purchase orders during holiday seasons, such as the Chinese New Year holidays. Our financial condition and results of operations for future quarters may continue to fluctuate and our historical quarterly results may not be comparable to future quarters. As a result, the trading price of our securities may fluctuate from time to time due to seasonality.

In addition, we are vulnerable to natural disasters, health epidemics, and other calamities. Any of such occurrences could cause severe disruption to the business operations of us, and may even require a temporary closure of facilities and logistics delivery networks, which may disrupt the business operations of our PRC Subsidiaries and adversely affect our results of operations.

***We may be subject to customer complaints, litigation, and regulatory investigations and proceedings from time to time.***

We have been and expect to continue to be subject to legal and other disputes in the ordinary course of our business, including, among others, intellectual property infringement claims, allegations against us regarding food safety or personal injury issues and lawsuits involving our marketing practices and labor-related disputes. In particular, due to several high-profile incidents involving food safety and consumer complaints that have occurred in China in recent years, the PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection. If claims are brought against us under consumer protection laws, including health and safety claims and product liability claims, or on other grounds, we could be subject to damages and reputational damage as well as action by regulators, which could lead to investigations and administrative proceedings, cause us to lose the rights to offer certain products, or require us to make changes to our store operations. Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management's attention and resources or harm our image, and even unsuccessful claims could result in the expenditure of funds and the diversion of management's time and resources and cause consumers to lose confidence in us. All of the above could have a material adverse effect on our business, financial condition and results of operations.

***Illegal actions or misconduct, or any failure by our third-party suppliers, service providers and retail partners to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations.***

Satisfactory performance by our third-party suppliers, service providers and retail partners are critical to the business operations of our PRC Subsidiaries. For example, the failure of our raw material suppliers to ensure product quality, speedy delivery or compliance with applicable laws and regulations could interrupt the operations of our stores and result in supply shortfalls, impaired product quality and potential claims against us. Our PRC Subsidiaries also rely on third-party delivery services and retail partners to deliver our products to customers, which increases the risk of food tampering while in transit. Failure in providing timely and high-quality delivery services may result in customer dissatisfaction, which could also result in reduction in sales, loss of customers and damage to our image. Furthermore, guidelines issued by the SAMR and other regulatory authorities impose heightened regulatory requirements on food delivery platforms that our PRC Subsidiaries partner with, which could increase their operating costs and pricing and exacerbate the shortage of delivery drivers, especially during peak hours. In addition, under the Business Cooperation Agreement between Tim Hortons China and DataCo, DataCo is obligated to use, and require its subcontractors to use, reasonable efforts to maintain procedures designed to protect the confidentiality of the personal data of our customers and store the collected personal data in compliance with applicable PRC laws and regulations. However, given the complexity of the applicable PRC laws and regulations and the significant uncertainty with respect to their interpretation and enforcement, we cannot assure you that DataCo or its subcontractors will be able to maintain compliance with these laws and regulations at all times.

In the event that we become subject to claims arising from actions taken by our suppliers or service providers, we may attempt to seek compensation from these parties. However, the amount of such compensation may be limited. If no claim can be asserted against a supplier, service provider or retail partner, or if the amount that we claim cannot be fully recovered, we may have to bear such losses on our own, which could have a material adverse effect on our business, financial condition and results of operations.



***Any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business, financial condition and results of operations.***

In accordance with relevant PRC laws and regulations, our PRC Subsidiaries are required to maintain various approvals, licenses and permits to operate our company owned and operating stores and engage in commercial franchising activities. In the opinion of Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, our PRC Subsidiaries are required to obtain and maintain the following approvals, licenses and permits for the operation of our company owned and operated stores: (i) business licenses issued by the local SAMR, (ii) food operation licenses issued by the competent food safety supervision and administration department, and (iii) for some stores, fire safety inspection permits from the local fire department. Failure to obtain the necessary licenses, permits and approvals could subject such PRC Subsidiary to fines, confiscation of gains derived from the stores, or the suspension of operations of the stores. Specifically, (i) for stores without a business license, the in-charge government authorities may order such stores to rectify the non-compliance and impose a fine of up to RMB500,000 for each store; (ii) for stores without a food operation license, the in-charge government authorities may confiscate the income of such stores and their food, beverage and packaged products, raw materials and equipment and impose fines based on a multiple of the value of the food, beverage and packaged products of such store; and (iii) for stores that operate without the requisite fire safety inspection permit, the in-charge government authorities may order such stores to rectify the non-compliance, suspend their operations and impose a fine ranging from RMB30,000 to RMB300,000 for each store. As of December 31, 2022, out of the 547 company owned and operated stores operated by our PRC Subsidiaries, seven stores had not obtained the requisite business licenses or the requisite food operation licenses, which stores represented less than 1% of our total revenues for 2022. Local governments have significant discretion in promulgating, interpreting and implementing fire safety rules and policies. As a result, there is no assurance that the fire safety inspection permit will not be required for certain company owned and operated stores that we believe, based on evaluations conducted by external fire safety specialists, are not required to obtain a fire safety inspection permit under existing PRC laws, regulations or policies if relevant PRC governmental authorities take a contrary position or adopt new interpretations, or under any new laws or regulations that may be promulgated in the future. Based on evaluations conducted by fire safety specialists engaged by us, four of our company owned and operated stores have not obtained those fire safety inspection permits that we believe are required under the applicable laws and regulations. Our PRC Subsidiaries are still in the process of applying for these outstanding licenses and permits and how soon these licenses and permits can be obtained is subject to regulatory approvals and certain other factors that are beyond their control. There can be no assurance that our PRC Subsidiaries will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon their expiration in a timely manner, and our PRC Subsidiaries may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new stores, which could adversely affect the business operations, financial condition and prospects of our PRC Subsidiaries, subject us to negative publicity and delay our store opening and expansion.

Any PRC Subsidiary that is engaged in commercial franchising is required to (i) register as a commercial franchisor with the commerce department of the local government within fifteen days after entering into a franchise agreement with a franchisee located in mainland China for the first time; (ii) file with the in-charge authority information regarding franchise agreements entered into, withdrawn, renewed or amended each year by March 31 of the following year; and (iii) report any changes to its previously filed registration information and information on its operational resources and the geographical distribution of its franchisees' stores in mainland China within 30 calendar days following such change. Failure to complete the registration in time could cause the PRC Subsidiary to be ordered by the in-charge authority to complete such registration within a designated timeframe and a fine ranging from RMB10,000 to RMB50,000 could be imposed, provided that it is able to complete the registration within the designated timeframe. If the PRC Subsidiary is unable to complete the registration within the designated timeframe, a fine ranging from RMB50,000 to RMB100,000 could be imposed and the violation could be publicly announced. If a commercial franchisor fails to comply with the annual filing requirement by the filing deadline, it could be ordered by the in-charge authority to complete such filing within a designated timeframe and be subject to a fine ranging from RMB10,000 to RMB50,000. Among the PRC Subsidiaries, only Tim Hortons China is, or has been, engaged in commercial franchising. Tim Hortons China has received the requisite governmental approval to be registered as a commercial franchisor and has fulfilled its annual and ongoing reporting obligations as of the date of this Annual Report.

THHK, a wholly-owned subsidiary of ours that is incorporated under the laws of the HKSAR, does not currently have any business operations. THHK holds the requisite business license and has not been required by the HKSAR government to hold any other license, permit or approval under the laws and regulations of the HKSAR. Based on the experience of our management team, we do not believe that THHK is required to obtain such license, permit or approval. However, there is no assurance that the relevant HKSAR governmental authorities will not take a contrary position or that THHK can obtain such license, permit or approval, if required. If THHK fails to obtain such license, permit or approval in a timely manner, or at all, our business and results of operations could be materially and adversely affected.

***Any significant disruption in our technology infrastructure or our failure to maintain the satisfactory performance, security and integrity of our technology infrastructure could materially and adversely affect our business, reputation, financial condition and results of operations.***

As our reliance on technology has increased, so have the risks posed to our systems. Our PRC Subsidiaries rely heavily on computer systems and network infrastructure across operations. Despite our implementation of security measures, all of our technology systems are vulnerable to damage, disruption or failures due to physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from problems with transitioning to upgraded or replacement systems, internal and external security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers.

If someone is able to circumvent our data security measures or that of third parties with whom we do business, including our sub-franchisees, he or she could destroy or steal valuable information or disrupt our operations. If any of our technology systems or those of our sub-franchisees or business partners were to fail or be compromised, and we were unable to recover from such incidents in a timely manner, we could also be exposed to risks of litigation, liability, negative publicity and reputational harm. The occurrence of any of these incidents could have a material adverse effect on our future financial condition and results of operations.

***We rely on a limited number of third-party suppliers and service providers to provide products and services to us or to our customers, and the loss of any of these suppliers or service providers or a significant interruption in the operations of these suppliers or service providers could negatively impact our business.***

We work with a limited number of raw material suppliers, delivery service providers and warehouse and fulfillment service providers in the daily operations of our stores. As we continue to expand our product offerings and customer base, our existing suppliers and service providers may not be able to adequately accommodate the growth of our business, and we may not be able to find additional suppliers and service providers who can meet our requirements, standards and expectations. Any significant interruption in the businesses of our suppliers and service providers could have a material adverse effect on the availability, quality and cost of our supplies, our customer relationships and store operations. For example, during the recent outbreak of COVID-19 in certain regions in mainland China, our logistics operations in these regions have been adversely impacted by related lockdown measures and travel restrictions, which further led to temporary increases in staffing, warehousing and freight costs. In addition, our agreements with suppliers and service providers generally do not prohibit them from working with our competitors, and these parties may be more incentivized to prioritize the orders of our competitors in case of short supply. Any deterioration of our cooperative relationships with our suppliers and service providers, any adverse change in our contractual terms with them, or the suspension or termination of our agreements with them could have a material adverse effect on our business, financial condition and results of operations. There is no assurance that we will be able to find suitable replacements in time, or at all, in the event that our agreements with certain of our suppliers or service providers expire or terminate, or that our contractual terms with any new supplier or service provider will be as favorable as our exiting arrangements.

***Grant of share-based awards could result in increased share-based compensation expenses.***

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key and qualified employees. We are required to account for share-based compensation in accordance with U.S. GAAP, which generally requires a company to recognize, as an expense, the fair value of share options and other equity incentives to employees based on the fair value of the equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the equity award. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations and profitability. See “Note 20 — Share-based Compensation” of our consolidated financial statements included elsewhere in this Annual Report for additional information.

***Our success depends on the continuing efforts of our key management and experienced and capable personnel, as well as our ability to recruit new talent.***

Our future success depends on the continued availability and service of our key management and experienced and capable personnel. If we lose the services of any member of our key management, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. If any of our key management joins a competitor or forms a competing business, we may lose customers, know-how and key professionals and staff members.

Our rapid growth also requires us to hire, train and retain a wide range of personnel who can adapt to a dynamic, competitive and challenging business environment and are capable of helping us conduct effective marketing, innovate new products, and develop technological capabilities. We will need to continue to attract, train and retain personnel at all levels, such as skillful baristas, as we expand our business and operations. We may also need to offer attractive compensation and other benefits packages, including share-based compensation, to attract and retain employees and provide our employees with sufficient training to help them to realize their career development and grow with us. Following the outbreak of COVID-19, we may also face challenges in recruiting and retaining talents due to higher talent mobility. Any failure to attract, train, retain or motivate key management and experienced and capable personnel could severely disrupt our business and growth.

***If we are unable to protect our customers' credit card data and other personal information, we could be exposed to data loss, litigation, and liability, and our reputation could be significantly harmed.***

Privacy protection is increasingly demanding, and the use of electronic payment methods and collection of other personal information expose us to increased risk of privacy and/or security breaches as well as other risks. In connection with credit or debit card or mobile payment transactions in-restaurant, our company owned and operated stores and sub-franchisees collect and transmit confidential information by way of secure private retail networks. In February 2022, Tim Hortons China transferred control and possession of the personal data of THIL's customers to DataCo, pursuant to a Business Cooperation Agreement. For a more detailed description, see the section of this Annual Report titled "Item 4. Information on the Company—B. Business Overview — Digital Technology and Information Systems."

We or our service providers, including DataCo, may experience or be affected by with security breaches in which our customers' personal information is stolen. Also, security and information systems that we use or rely on may be compromised as a result of data corruption or loss, cyberattack or a network security incident or the independent third-party service provider may fail to comply with applicable laws and regulations. Although private networks are used to transmit confidential information, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit and debit card sales, and the security measures employed may not effectively prohibit others from obtaining improper access to this information. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and are often difficult to detect for long periods of time, which may cause a breach to go undetected for an extensive period of time. Advances in computer and software capabilities, new tools, and other developments may increase the risk of such a breach. Further, the systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment at risk, are determined and controlled by the payment card industry, not by us. In addition, our sub-franchisees, contractors, or third parties with whom we do business or to whom we outsource business operations may be subject to cyberattack or a network security incident that may lead to loss of our customers' data or may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. If a person is able to circumvent our security measures or those of third parties, he or she could destroy or steal valuable information or disrupt our operations. We may become subject to claims for purportedly fraudulent transactions arising out of the unlawful access or exfiltration of personal data, or actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits, administrative fines or other proceedings relating to these types of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses, which could have an adverse impact on our business, financial condition and results of operations. Further, adverse publicity resulting from such claims or proceedings could significantly harm our reputation which, in turn, may have an adverse effect on our business, financial condition and results of operations.

***We and our PRC Subsidiaries are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations could have a material adverse effect on our business, financial condition and results of operations.***

The integrity and protection of our customer, employee and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We and our PRC Subsidiaries are required by applicable laws to keep this personal information strictly confidential and to take adequate security measures to safeguard such information.

The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services, or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the National People's Congress of the PRC issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not collect users' personal information without their consent and may only collect users' personal information necessary to the provision of services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations. On September 14, 2022, the CAC released the Decision on Revising the Cybersecurity Law of the People's Republic of China (Draft for Comment), which would impose more stringent legal liabilities and raise the upper limit of monetary fines for serious violation of the security protection obligations of network operation, network information, critical information infrastructure and personal information under the Cyber Security Law to RMB50 million or 5% of the company's total sales from the previous year. In addition, the Civil Code of the PRC (issued by the National People's Congress of the PRC on May 28, 2020 and effective from January 1, 2021) provides the main legal basis for privacy and personal information infringement claims under PRC civil law.

PRC regulators, including the CAC, the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in areas of data security and data protection. The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various PRC regulatory bodies, including the CAC, the Ministry of Public Security and the SAMR, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In addition, certain internet platforms in mainland China have reportedly been subject to heightened regulatory scrutiny in relation to cybersecurity matters.

In April 2020, the PRC government promulgated the Cybersecurity Review Measures (the "2020 Cybersecurity Review Measures"), which came into effect on June 1, 2020. In July 2021, the CAC and other related authorities released a draft amendment to the 2020 Cybersecurity Review Measures for public comments. On December 28, 2021, the PRC government promulgated amended Cybersecurity Review Measures (the "2022 Cybersecurity Review Measures"), which came into effect and replaced the 2020 Cybersecurity Review Measures on February 15, 2022. According to the 2022 Cybersecurity Review Measures, (i) critical information infrastructure operators that purchase network products and services and internet platform operators that conduct data processing activities shall be subject to cybersecurity review in accordance with the 2022 Cybersecurity Review Measures if such activities affect or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office. Under the Regulation on Protecting the Security of Critical Information Infrastructure promulgated by the State Council on July 30, 2021, effective September 1, 2021, "critical information infrastructure" is defined as important network facilities and information systems in important industries and fields, such as public telecommunication and information services, energy, transportation, water conservancy, finance, public services, e-government and national defense, science, technology and industry, as well as other important network facilities and information systems that, in case of destruction, loss of function or leak of data, may severely damage national security, the national economy and the people's livelihood and public interests. Based on the opinion of our PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, we believe that neither we nor any of our PRC Subsidiaries qualifies as a critical information infrastructure operator. As of the date of this Annual Report, neither we nor any of our PRC Subsidiaries has been informed by any PRC governmental authority that we or any of our PRC Subsidiaries is a "critical information infrastructure operator."

Compared with the 2020 Cybersecurity Review Measures, the 2022 Cybersecurity Review Measures contain the following key changes: (i) internet platform operators who are engaged in data processing are also subject to the regulatory scope; (ii) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office; (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or illegally transmitted to overseas parties and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously by foreign governments and any cybersecurity risk after a company's listing on a stock exchange shall be collectively taken into consideration during the cybersecurity review process; and (v) critical information infrastructure operators and internet platform operators covered by the 2022 Cybersecurity Review Measures shall take measures to prevent and mitigate cybersecurity risks in accordance with the requirements therein. On November 14, 2021, the CAC released the draft Administrative Regulation on Network Data Security for public comments through December 13, 2021 (the "Draft Administrative Regulation"). Under the Draft Administrative Regulation, (i) data processors, i.e., individuals and organizations who can decide on the purpose and method of their data processing activities at their own discretion, that process personal information of more than one million individuals shall apply for cybersecurity review before listing in a foreign country; (ii) foreign-listed data processors shall carry out annual data security evaluation and submit the evaluation report to the municipal cyberspace administration authority; and (iii) where the data processor undergoes merger, reorganization and subdivision that involves important data and personal information of more than one million individuals, the recipient of the data shall report the transaction to the in-charge authority at the municipal level.

As of the date of this Annual Report, neither we nor any of our PRC Subsidiaries has been required by any PRC governmental authority to undergo cybersecurity review, nor have we or any of our PRC Subsidiaries received any warning or sanction in such respect or been denied permission from any PRC regulatory authority to list or maintain listing on U.S. exchanges. Based on the opinion of our PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, we believe that neither we nor any of our PRC Subsidiaries is subject to the cybersecurity review, reporting or other permission requirements by the CAC under the applicable PRC cybersecurity laws and regulations with respect to any offering or the business operations of our PRC Subsidiaries, because neither we nor any of our PRC Subsidiaries qualifies as a critical information infrastructure operator or has conducted any data processing activities that affect or may affect national security or holds personal information of more than one million users. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that we or any of our PRC Subsidiaries will not be deemed to be subject to PRC cybersecurity review requirements under the 2022 Cybersecurity Review Measures or the Draft Administrative Regulations (if enacted) as a critical information infrastructure operator or an internet platform operator that is engaged in data processing activities that affect or may affect national security or holds personal information of more than one million users, nor can we assure you that we or our PRC Subsidiaries would be able to pass such review. If we or any of our PRC Subsidiaries fails to receive any requisite permission or approval from the CAC for its business operations, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently concludes that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate us to obtain such permission or approvals in the future, we or our PRC Subsidiaries may be subject to fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future pursuant to new laws, regulations or policies. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with applicable laws and regulations may result in fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People's Congress of the PRC, promulgated the PRC Data Security Law, which became effective in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development and the degree of harm it will cause to national security, public interests or the rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, effective November 1, 2021. The Personal Information Protection Law clarifies the required procedures for personal information processing, the obligations of personal information processors, and individuals' personal information rights and interests. The Personal Information Protection Law provides that, among other things, (i) the processing of personal information is only permissible under certain circumstances, such as prior consent from the subject individual, fulfillment of contractual and legal obligations, furtherance of public interests or other circumstances prescribed by laws and regulations; (ii) the collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible; and (iii) excessive collection of personal information is prohibited. In particular, the Personal Information Protection Law provides that personal information processors should ensure the transparency and fairness of automated decision-making based on personal information, refrain from offering unreasonably differentiated transaction terms to different individuals and, when sending commercial promotions or information updates to individuals selected through automated decision-making, simultaneously offer such individuals an option not based on such individuals' specific characteristics or a more convenient way for such individuals to turn off such promotions.

On July 7, 2022, the CAC promulgated the Measures on Data Export Security Assessment, which became effective on September 1, 2022. The Measures on Data Export Security Assessment provides for the circumstances under which a data processor shall be subject to security assessment, including (i) where a data processor provides important data abroad; (ii) where a critical information infrastructure operator or a data processor that processes personal information of more than one million individuals provides personal information abroad; (iii) where a data processor that has exported personal information of over 100,000 individuals or sensitive personal information of over 10,000 individuals in total since January 1 of the previous year provides personal information abroad; and (iv) other circumstances prescribed by the CAC. For outbound data transfers that were carried out before the effectiveness of the Measures on Data Export Security Assessment and are not compliant with these measures, rectification shall be completed by February 28, 2023. Given the nature of our business and as advised by our PRC legal counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, we do not believe that we or any of our PRC Subsidiaries is engaged in any activity that is subject to security assessment as outlined in the Measures on Data Export Security Assessment. As of the date of this Annual Report, the Measures on Data Export Security Assessment has not materially affected our business or results of operations. Since the Measures on Data Export Security Assessment was newly enacted, there remain substantial uncertainties about its interpretation and implementation, and it is unclear whether the relevant PRC regulatory authority would reach the same conclusion as us. The promulgation of the above- mentioned laws and regulations indicates heightened regulatory scrutiny from PRC regulatory authorities in areas such as data security and personal information protection.

As uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we or our PRC Subsidiaries will be able to comply with such regulations in all respects, and we or our PRC Subsidiaries may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. In addition, while our PRC Subsidiaries take various measures to comply with all applicable data privacy and protection laws and regulations and the control and possession of our customer data has been transferred to DataCo, there is no guarantee that our current security measures, operation and those of our third-party service providers may always be adequate for the protection of our customers, employee or company data against security breaches, cyberattacks or other unauthorized access, which could result in loss or misuse of such data, interruptions to our service system, diminished customer experience, loss of customer confidence and trust and impairment of our technology infrastructure and harm our reputation and business, resulting in fines, penalties and potential lawsuits.

***Unexpected termination of leases, failure to renew the leases of our existing premises or to renew such leases at acceptable terms could materially and adversely affect our business.***

Our PRC Subsidiaries lease the premises for all of our stores. Our PRC Subsidiaries generally seek to enter into long-term leases of more than five years with an option to renew for our stores, though are not always able to secure either a term of that duration or the right to renew. Rent for our leases is typically stated as the higher of a fixed amount, which is usually subject to periodic incremental increases as stipulated in the lease agreements, and a variable amount, which is usually stated as a percentage of the revenue generated by the store situated on the leased premise. We cannot assure you that our PRC Subsidiaries would be able to renew the relevant lease agreements at the same rate, on similar terms or without substantial additional costs. If a lease agreement is renewed at a substantially higher rate or less favorable terms, our business and results of operations may be materially and adversely affected. If any of our PRC Subsidiaries is unable to renew the lease for a store site, it will have to close or relocate the store, which could result in additional costs and risks, loss of customers and decreased sales. Furthermore, we cannot assure you that the lessors are entitled to lease the relevant real properties to us. If the lessor is not entitled to lease the real properties and the owner of such real properties declines to ratify the lease agreement with the respective lessor, our PRC Subsidiaries may not be able to enforce their rights to lease such properties under the respective lease agreement against the owner. As of the date of this Annual Report, we are not aware of any claim or challenge brought by any third parties concerning the use of our leased properties without proper ownership proof. If a lease agreement is claimed as null and void by a third party who is the right owner of such leased real properties, we could be required to vacate the properties and we cannot assure you that suitable alternative locations will be readily available on commercially reasonable terms, or at all.

In addition, the PRC government has the statutory power to acquire any land in mainland China. As a result, we may be subject to compulsory acquisition, closure or demolition of any of the properties on which our stores are situated. Although we may receive liquidated damages or compensation if our leases are terminated unexpectedly, we may be forced to suspend operations of the relevant store, which could materially and adversely affect our business and results of operations.

***We may require additional capital to support business growth and objectives, which might not be available in a timely manner or on commercially acceptable terms, if at all.***

Historically, we have financed our operations primarily with operating cash flows, issuance of ordinary shares and convertible notes, and bank borrowings. As part of our growth strategies, we expect to continue to require substantial capital through additional debt or equity financing in the future to cover our costs and expenses. However, we may be unable to obtain additional capital in a timely manner or on commercially acceptable terms, or at all. Our ability to obtain additional financing in the future is subject to a number of uncertainties, including those relating to:

- our market position and competitiveness in China's coffee industry;
- our future profitability, overall financial condition, operating results and cash flows;
- the general market conditions for financing activities; and
- the macro-economic and other conditions in China and elsewhere.

To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends to our shareholders. For example, the indenture between THIL and Wilmington Savings Fund Society, FSB, as trustee, dated December 30, 2021 (the "Indenture") with respect to the convertible notes contains events of default provisions, such as failure to make timely payment or meet certain conversion obligations. If we fail to service our debt obligations or are unable to comply with our debt covenants, we could be in default under the relevant debt obligations, and our liquidity and financial condition may be materially and adversely affected. To the extent that we raise additional financing by issuance of additional equity or equity-linked securities, our shareholders may experience dilution. In the event that financing is not available or is not available on terms commercially acceptable to us, our business, operating results and growth prospects may be adversely affected.

***Our convertible notes may impact our financial results, result in the dilution of our shareholders, adversely affect our liquidity, create downward pressure on the price of our securities, and restrict our ability to raise additional capital or take advantage of future opportunities.***

On December 9, 2021, we and Pangaea Two Acquisition Holdings XXIIA Limited (“XXIIA”) entered into a Convertible Note Purchase Agreement with each of Sona Credit Master Fund Limited (“Sona”) and Sunrise Partners Limited Partnership (“Sunrise”). On December 10, 2021, we issued \$50 million in aggregate principal amount of convertible notes (the “Private Notes”) to Sona and Sunrise for a purchase price of 98% of the principal amount thereof. On December 30, 2021, we issued \$50 million in aggregate principal amount of convertible notes (the “Notes”) under the Indenture in exchange for the Private Notes, which were cancelled upon such exchange. The Notes will mature on December 10, 2026 (the “Maturity Date”) and bear interest commencing as of December 10, 2021, payable semi-annually in arrears on June 10 and December 10 of each year, commencing on June 10, 2022. We have the option, on each interest payment date, to pay accrued and unpaid interest (i) entirely in cash or (ii) by capitalizing such accrued and unpaid interest (such capitalized interest, “PIK Interest”). Each holder of a Note has the right, after June 10, 2025, to require us to repurchase all of such holder’s Notes at a repurchase price equal to the principal amount of such Note plus accrued and unpaid interest thereon to, but excluding, the repurchase date. We also have the right to redeem the Notes in whole, but not in part, (i) at a redemption price equal to 102% of the principal amount of the Notes, plus accrued and unpaid interest thereon to, but excluding, the redemption date, in the event of certain tax changes as described in the Indenture; or (ii) at any time before December 10, 2025, at a redemption price equal to: (a) if the redemption is prior to December 10, 2024, 100% of the principal amount of the Notes plus a “make-whole” as described in the Indenture, and (b) if the redemption is on or after December 10, 2024 and prior to December 10, 2025, 104% of the principal amount of the Notes plus accrued and unpaid interest thereon to, but excluding, the redemption date. The payment of such cash interest, repurchase price or redemption price will lower the amount of cash we have on hand and could restrict our ability to satisfy our liquidity requirements and operate and expand our business, which may in turn have a material adverse impact on the trading volatility and price of our securities. The Indenture also contains covenants that, subject to significant exceptions, restrict the ability of our company and our subsidiaries to, among other things, incur debt, issue preferred stock, pay dividends on or purchase or redeem capital stock, incur liens, sell assets, amend or terminate our A&R MDA and amended and restated company franchise agreements with THRI, amend charter documents, or consolidate with or merge with or into other entities. These restrictions could restrict our ability to raise additional capital or take advantage of future opportunities.

In addition, the conversion of the Notes will cause dilution to our shareholders and the market price of our securities may decrease due to the additional selling pressure in the market. Any downward pressure on the price of our securities by the sale, or potential sale, of ordinary shares issuable upon conversion of the Notes could also encourage short sales by third parties, creating additional selling pressure on our share price.

***Uncertainties with respect to Reference Period Payments and Issuer Release Amounts under the ESA could materially and adversely affect our liquidity position, our ability to operate our business and execute our business strategy, and the trading volatility and price of our securities.***

Under the ESA, we are required to pay the ESA Investors a Reference Period Payment on or prior to 5 p.m., U.S. Eastern Time on the business day immediately following the final VWAP Trading Day of each reference period, with the First Reference Period being the 27 consecutive VWAP Trading Days beginning on, and including, December 29, 2022, the Second Reference Period being the 30 consecutive VWAP Trading Days beginning on, and including, February 21, 2023, and the Third Reference Period being the 30 consecutive VWAP Trading Days beginning on, and including, May 21, 2023. Upon the occurrence of any of the acceleration events under the ESA, one of which is the per share volume-weighted average price for any trading day or VWAP Trading Day (as applicable) of our ordinary shares (the “Daily VWAP”) being less than \$5.00 for any 10 VWAP Trading Days (whether or not consecutive) during any consecutive 15 VWAP Trading Day period, each ESA Investor has the right, but not the obligation, to accelerate any and all the remaining reference periods, at its election and only with a prompt notice within five business days of such condition being or continuing to be met to us regarding the applicable acceleration event, the number of ordinary shares that such acceleration is being applied to, the applicable reference period commencement date and the length of the applicable reference period(s), provided that in no event will any accelerated reference period consist of less than 15 VWAP Trading Days. As of the date of this Annual Report, we have not received any indication that any ESA Investor intends to exercise such acceleration rights. Capitalized terms used but not defined in this paragraph and the paragraphs below have the meanings ascribed to them under the ESA.



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The amount of the First Reference Period Payment equals to 1,666,666 ordinary shares multiplied by (i) if the Reference Price for the period is less than \$10.40, an amount equal to \$10.40 minus the Reference Price (including, if applicable, an Adjusted Reference Price or Delisted/Insolvent Price) for the First Reference Period, or (ii) if the Reference Price (including, if applicable, an Adjusted Reference Price) for the First Reference Period is greater than or equal to \$10.40, zero. The amount of the Second Reference Period Payment equals to 1,666,666 ordinary shares multiplied by (i) if the Reference Price for the period is less than \$10.60, an amount equal to \$10.60 minus the Reference Price (including, if applicable, an Adjusted Reference Price or Delisted/Insolvent Price) for the First Reference Period, or (ii) if the Reference Price (including, if applicable, an Adjusted Reference Price) for the Second Reference Period is greater than or equal to \$10.60, zero. The amount of the Third Reference Period Payment equals to 1,666,668 ordinary shares multiplied by (i) if the Reference Price for the period is less than \$10.90, an amount equal to \$10.90 minus the Reference Price (including, if applicable, an Adjusted Reference Price or Delisted/Insolvent Price) for the First Reference Period, or (ii) if the Reference Price (including, if applicable, an Adjusted Reference Price) for the First Reference Period is greater than or equal to \$10.90, zero. “Reference Price” means, with respect to any reference period, the arithmetic averages of the Daily VWAPs for each VWAP Trading Day in such reference period, subject to adjustment. The Reference Period Payments for the First Reference Period and the Second Reference Period were \$11,919,983 and \$10,533,379, respectively. Assuming that the Reference Price for the Third Reference Period is \$4.33, which was the closing price of our ordinary shares on April 24, 2023, the amount of the Reference Period Payment for the Third Reference Period would be \$10,950,009.

Following each of the Reference Period Payments, we have the right to receive from the Collateral Account (as defined below) an Issuer Release Amount, which equals to (i) with respect to the First Reference Period, an amount equal to 1,666,666 ordinary shares multiplied by (y) the lesser of \$10.40 and the Reference Price for the First Reference Period; (ii) with respect to the Second Reference Period, an amount equal to (x) 1,666,666 ordinary shares multiplied by (y) the lesser of \$10.60 and the Reference Price for the Second Reference Period; and (iii) with respect to the Third Reference Period, an amount equal to (x) 1,666,668 ordinary shares multiplied by (y) the lesser of \$10.90 and the Reference Price for the Third Reference Period; provided that in no event shall the Issuer Release Amount cause the principal balance of the Collateral Account to be less than the maximum possible amount of the remaining Reference Period Payments. The Issuer Release Amounts for the First Reference Period and the Second Reference Period were \$5,413,344 and \$7,133,280, respectively. Assuming that the Reference Price for the Third Reference Period is \$4.33, which was the closing price of our ordinary shares on April 24, 2023, the amount of the Issuer Release Amount for the Third Reference Period would be \$7,216,672.

Because the Reference Period Payments will be paid out of the \$53,166,667.20 that already has been deposited by the ESA Investors and the Company to the Collateral Account, which is considered to be restricted cash, we do not expect that we will be required to use funds outside the Collateral Account to settle such payments. However, under the Control Agreement among us, Shaolin Capital Management LLC and U.S. Bank National Association, dated June 13, 2022 (the “Control Agreement”), U.S. Bank National Association may, at our direction and with the consent of Shaolin Capital Management LLC, invest any portion of such funds in certain money market funds that meet the requirement of the Control Agreement. We cannot guarantee you that, following such investment, the amount of funds remaining in the Collateral Account will be sufficient to cover the Reference Period Payments that we are required to make or the Issuer Release Amounts that we are entitled to receive. In the unlikely event that the balance of the Collateral Account becomes insufficient to cover the Reference Period Payments due to factors beyond our control, we may be required to settle the Reference Period Payments using funds outside the Collateral Account, which will reduce the amount of cash we have on hand for business operations and other purposes. In addition, because the amount and timing of the Reference Period Payments and the Issuer Release Amounts are closely related to the trading price of our ordinary shares, which may fluctuate significantly from time to time, we are unable to estimate with accuracy the amount of such Reference Period Payments and/or Issuer Release Amounts and the timing of such payments, and such uncertainties could adversely affect our liquidity position and ability to operate our business and execute our business strategy, which may in turn have a material adverse impact on the trading volatility and price of our securities.

***We may acquire other businesses, which could require significant management attention, disrupt our business, dilute shareholder value and harm our business, revenue and financial results.***

As part of our business strategy, we intend to make acquisitions to add complementary companies, products or technologies, such as our recent acquisition of Popeyes China, pursuant to which we became the exclusive operator and developer of the Popeyes® brand in mainland China. For more details, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Recent Developments” of this Annual Report. Our past and future acquisitions may not achieve our goals, and we may not realize benefits from acquisitions. Any integration process will require significant time and resources, and we may not be able to manage the process successfully. If we fail to successfully integrate acquisitions, or the personnel or technologies associated with those acquisitions, the business, revenue and financial results of the combined company could be harmed. We may not successfully evaluate or utilize the acquired assets and accurately forecast the financial impact of an acquisition, including accounting charges. We may also incur unanticipated liabilities that we assume as a result of acquiring companies. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our securities. We would expect to finance any future acquisitions through a combination of additional issuances of equity, corporate indebtedness or cash from operations. The sale of equity to finance any such acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. In the future, we may not be able to find other suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Our acquisition strategy could require significant management attention, disrupt our business and harm our business, revenue and financial results.

***Our insurance may not be sufficient to cover certain losses.***

We face the risk of loss or damage to our properties, machinery and inventories due to fire, theft and natural disasters such as earthquakes and floods. While our insurance policies cover some losses in respect of damage or loss of our properties, machinery and inventories, our insurance may not be sufficient to cover all such potential losses. In the event that such loss exceeds our insurance coverage or is not covered by our insurance policies, we will be liable for the excess in losses. In addition, even if such losses are fully covered by our insurance policies, such fire, theft or natural disaster may cause disruptions or cessations in our operations and adversely affect our business, financial condition and results of operations.

***Industry data, projections and estimates contained in our prior public filings are inherently uncertain, subject to interpretation and may not have been independently verified.***

Industry data and projections are inherently uncertain and subject to change. There can be no assurance that China’s coffee industry or food and beverage sector will be as large as we anticipate or that projected growth will occur or continue. In addition, underlying market conditions are subject to change based on economic conditions, consumer preferences and other factors that are beyond our control. Our projected financial and operating information appearing in our public filings reflect estimates of future performance. We employ models to, among other uses, price products, value assets, make investment decisions and generate projections. These models rely on estimates and projections that are inherently uncertain, may use data and/or assumptions that do not adequately reflect recent experience and relevant industry data, and may not operate as intended. As our assumptions are based on historical experiences and expectations of future performance, which are highly dependent on modeling assumptions as to long-term macroeconomic conditions, we may discover errors or other deficiencies in existing models, assumptions and/or methodologies. Moreover, we may use additional, more granular and detailed information or we may employ more simplified approaches in the future, either of which may cause us to refine or otherwise change existing assumptions and/or methodologies. If the changes to our models indicate a decline in growth rate or unfavorable projections, this could have a material adverse effect on our business, results of operations and financial condition.

Multiple factors, including the COVID-19 pandemic, have negatively impacted our business during the year ended December 31, 2022 and it is possible these factors may continue during 2023. We have not updated the long-term financial projections that we previously published in connection with our Business Combination with Silver Crest and, as a result of these factors, certain of the assumptions underlying our prior forecasts are no longer correct and investors should not place any reliance on those projections.

## Risks Related to Doing Business in China

***Additional disclosure requirements to be adopted by and regulatory scrutiny from the SEC in response to risks related to companies with substantial operations in China, which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult.***

On July 30, 2021, in response to the regulatory developments in mainland China and actions adopted by the PRC government, the Chairman of the SEC issued a statement asking the SEC staff to seek additional disclosures from offshore issuers associated with China-based operating companies before their registration statements will be declared effective. As such, the offering of our securities may be subject to additional disclosure requirements and review that the SEC or other regulatory authorities in the United States may adopt for companies with China-based operations, which could increase our compliance costs, subject us to additional disclosure requirements, and/or suspend or terminate our future securities offerings, making capital-raising more difficult. We may also be required to adjust, modify, or completely change the business operations of our PRC Subsidiaries in response to adverse regulatory changes or policy developments, and we cannot assure you that any remedial action adopted by us can be completed in a timely, cost-efficient, or liability-free manner or at all.

***The approval and/or other requirements of Chinese governmental authorities may be required in connection with our future issuance of securities to foreign investors under PRC laws, regulations or policies.***

As all of our operations are based in mainland China through our PRC Subsidiaries, we are subject to PRC laws relating to, among others, restrictions over foreign investments and data security. The PRC government has been seeking to exert more control and impose more restrictions on companies based in mainland China raising capital offshore and such efforts may continue or intensify in the future. The PRC government's exertion of more control over offerings conducted overseas and/or foreign investment in issuers based in mainland China could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to foreign investors, and cause the value of our securities to significantly decline or be worthless. Based on the opinion of our PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, we believe that the issuance of our securities to foreign investors may be subject to the filing requirements with the CSRC in accordance with the Trial Measures for Administration of the Overseas Securities Offerings and Listings by Domestic Enterprises, or the Trial Measures, promulgated by the CSRC on February 17, 2023. Based on the experience of our management team, we do not believe that any permission or approval is required under any laws or regulations of the HKSAR for us to issue securities to non-PRC investors or for any of our PRC Subsidiaries to conduct their business operations in mainland China. We cannot assure you that such approval or permission will not be required under PRC or HKSAR laws, regulations or policies if the relevant PRC or HKSAR governmental authorities take a contrary position, nor can we predict whether or how long it will take to obtain such approval. Any failure to obtain or delay in obtaining the requisite governmental approval required, or a rescission of such approval, would subject us to sanctions imposed by the relevant PRC regulatory authority. Below is a summary of potential PRC laws and regulations that, in the opinion of Han Kun Law Offices according to its interpretation of the currently in-effect PRC laws and regulations, could be interpreted by the in-charge PRC government authorities, namely, the CSRC, the CAC and their enforcement agencies to require us to obtain permission or approval or complete certain filing procedures in order to issue securities to foreign investors or offer securities to foreign investors.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors adopted by six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, currently known as the SAMR, the CSRC, and the SAFE in 2006 and amended in 2009, as well as some other regulations and rules concerning mergers and acquisitions (collectively, the "M&A Rules") include provisions that purport to require that an offshore special purpose vehicle that is controlled by PRC domestic companies or individuals and that has been formed for the purpose of an overseas listing of securities through acquisitions of PRC domestic companies or assets to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published its approval procedures for overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

On August 1, 2021, the CSRC stated in a statement that it had taken note of the new disclosure requirements announced by the SEC regarding the listings of Chinese companies and recent regulatory development in China, and that both countries should strengthen communications on regulating China-related issuers. For details of risks relating to cybersecurity review, see “— Risks Related to THIL’s Business and Industry — We and our PRC Subsidiaries are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations could have a material adverse effect on our business, financial condition and results of operations.”

Furthermore, on December 24, 2021, the CSRC released the draft Administrative Provisions on the Offshore Listing and Securities Issuance of PRC-Based Companies and the draft Administrative Measures on the Filing of Offshore Listing and Securities Issuance of PRC-Based Companies for public comments through January 23, 2022. On February 17, 2023, the CSRC promulgated the Trial Measures and several related rules, collectively the New Filing Rules, which became effective on March 31, 2023. Under the New Filing Rules, issuers that intend to list or offer securities on foreign stock exchanges or overseas-listed issuers that intend to list for its secondary listing or primary listing in any other overseas market through direct offshore listing (i.e., the listing of a PRC-incorporated company) or indirect offshore listing (i.e., the listing of an overseas company that meets both of the following conditions: (a) more than 50% of the revenue, profit, gross assets or net assets of the issuer in the last fiscal year originated from a PRC-incorporated company or companies, and (b) a majority of the issuer’s senior executives in charge of its business operations are PRC citizens or habitually reside in mainland China and the issuer’s business operations are mainly conducted or located in mainland China) shall make a filing with the CSRC within three business days upon the issuer’s initial filing of its listing application documents with the foreign stock exchange. If the filing documents submitted to the CSRC are complete and in compliance with the applicable requirements, the CSRC will issue a notice of record within 20 business days. Based on a set of Q&A published on the CSRC’s official website in connection with the release of the Trial Measures, under the New Filing Rules, we will be required to make such filing or report for offerings conducted after the effectiveness of the New Filing Rules. Based on the opinion of our PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, we do not believe there will be any substantial obstacle in making these filings if we are required to do so. However, we cannot assure you that we will be able to complete such filing or comply with any other requirements that may be imposed on us under the New Filing Rules on a timely basis, or at all. Failure to comply with the filing requirements or any other requirements under the New Filing Rules could result in warnings, a fine ranging from RMB1 million to RMB10 million, suspension of certain business operations, orders of rectification and revocation of business license and operation permits, and our controlling shareholders, actual controllers, any person who is directly in charge and other directly liable persons could also be subject to administrative penalties, such as warnings and fines.

On February 24, 2023, the CSRC, together with other PRC government authorities, released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (the “Confidentiality and Archives Provisions”), which replaced the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing issued on October 20, 2009 and came into effect on March 31, 2023. According to the Confidentiality and Archives Provisions, for indirect overseas offering and listing, the domestic operating entity: (i) shall establish confidentiality and archival protocols and take necessary measures to fulfil such responsibilities; (ii) shall not leak any state secrets or the work secrets of state authorities or harm national or public interests; (iii) shall obtain approval from competent authorities and make a filing with the appropriate government agency if it, or the offshore listing vehicle, publicly discloses documents or materials involving state secrets or the work secrets of state authorities or provides such information to securities companies, securities service providers or overseas regulators; and (iv) shall strictly comply with the procedural requirements of applicable regulations (a) if it, or the offshore listing vehicle, publicly discloses other documents or materials that, if leaked, will be detrimental to national security or public interest or provides such information to securities companies, securities service providers or overseas regulators, or (b) if it provides accounting records or a copy of such records to securities companies, securities service providers or overseas regulators.

If we fail to receive or maintain any requisite permission or approval from the CSRC for any future offerings, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently conclude that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate us to obtain such permission or approvals in the future, we may be subject to fines and penalties (the details of which are unknown at this point), limitations on our business activities in mainland China, delay or restrictions on the contribution of the proceeds from the offerings of our listed securities into the PRC, or other sanctions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects. The CSRC may also take actions requiring us, or making it advisable for us, to halt future offerings of our securities to foreign investors. Such uncertainties and/or negative publicity regarding such approval requirements could cause our securities to decline significantly in value or become worthless.

Moreover, on November 14, 2021, the CAC released the Draft Administrative Regulation. Under the Draft Administrative Regulation, (i) data processors, i.e., individuals and organizations who can decide on the purpose and method of their data processing activities at their own discretion, that process personal information of more than one million individuals shall apply for cybersecurity review before listing in a foreign country; (ii) foreign-listed data processors shall carry out annual data security evaluation and submit the evaluation report to the municipal cyberspace administration authority; and (iii) where the data processor undergoes merger, reorganization and subdivision that involves important data and personal information of more than one million individuals, the recipient of the data shall report the transaction to the in-charge authority at the municipal level. The public comment period for the Draft Administrative Regulation ended on December 13, 2021, and the Draft Administrative Regulation has not come into effect as of the date of this Annual Report. On December 28, 2021, the PRC government promulgated the 2022 Cybersecurity Review Measures, which came into effect on February 15, 2022. According to the 2022 Cybersecurity Review Measures, (i) critical information infrastructure operators that purchase network products and services and internet platform operators that conduct data processing activities shall be subject to cybersecurity review in accordance with the 2022 Cybersecurity Review Measures if such activities affect or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office. As of the date of this Annual Report, neither we nor any of our PRC Subsidiaries has been required by any PRC governmental authority to undergo for cybersecurity review, nor have we or any of our PRC Subsidiaries received any warning or sanction in such respect or been denied permission from any PRC regulatory authority to list or maintain listing on U.S. exchanges. Based on the opinion of our PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, we believe that neither we nor any of our PRC Subsidiaries is subject to the cybersecurity review, reporting or other permission requirements by the CAC under the applicable PRC cybersecurity laws and regulations with respect to any offering of our securities or the business operations of our PRC Subsidiaries, because neither we nor any of our PRC Subsidiaries qualifies as a critical information infrastructure operator or has conducted any data processing activities that affect or may affect national security or holds personal information of more than one million users. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations, if the PRC regulatory authorities take a position contrary to ours, we cannot assure you that we or any of our PRC Subsidiaries will not be deemed to be subject to PRC cybersecurity review requirements under the 2022 Cybersecurity Review Measures or the Draft Administrative Regulations (if enacted) as a critical information infrastructure operator or an internet platform operator that is engaged in data processing activities that affect or may affect national security or holds personal information of more than one million users, nor can we assure you that we or our PRC Subsidiaries would be able to pass such review. If we or any of our PRC Subsidiaries fails to receive any requisite permission or approval from the CAC for its business operations, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently conclude that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate us to obtain such permission or approvals in the future, we or our PRC Subsidiaries may be subject to fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations. In addition, we could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future pursuant to new laws, regulations or policies. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with applicable laws and regulations may result in fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

***PRC governmental authorities' significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our securities.***

PRC governmental authorities have significant oversight and discretion over the business operations of our PRC Subsidiaries in mainland China and may seek to intervene or influence such operations at any time that the government deems appropriate to further its regulatory, political and societal goals, which could result in a material adverse change in our operations and/or the value of our securities. In addition, the PRC governmental authorities may also exert more oversight and control over offerings that are conducted overseas and/or foreign investment in issuers based in mainland China. Any such action could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of such securities to significantly decline or be worthless. Furthermore, the implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline.

***Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.***

With substantially all of our assets and operations located in mainland China, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China, including, among others, overall economic growth, level of urbanization and level of per capita disposable income. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented various changes, a significant portion of the productive assets in China are owned by the government, and the PRC government continues to play a significant role in regulating industry development by setting industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing different treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in China, the policies of the PRC government or PRC laws and regulations could have a material adverse effect on the overall economic growth of China. Such developments may lead to a reduction in demand for our products and materially and adversely affect our business, financial condition and results of operations.

In addition, stimulus measures designed to boost the Chinese economy may contribute to higher inflation, which could adversely affect our results of operations and financial condition. According to the National Bureau of Statistics of China, the year-over-year percent increases in the consumer price index for the years ended December 31, 2020, 2021 and 2022 were 2.4%, 1.0% and 2.0%, respectively. If prices of our services and products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on profitability. High inflation may in the future cause the PRC government to impose controls on credit and/or prices, or to take other actions, which could inhibit economic activity in the PRC and thereby harm the market for our services and products.

***The business operations of our PRC Subsidiaries are subject to various PRC laws and regulations, the interpretation and enforcement of which involve significant uncertainties as the PRC legal system is evolving rapidly.***

The PRC legal system is a civil-law system based on written statutes. Unlike the common-law system, prior court decisions under the civil-law system may be cited for reference but have limited precedential value, which has led to uncertainty and inconsistency in the interpretation and enforcement of many laws. Uncertainties also exist with respect to new legislation or proposed changes in the PRC regulatory requirements as the PRC legal system is evolving rapidly. The interpretations of many laws and regulations may contain inconsistencies, and the enforcement of these laws, regulations and rules involves uncertainties. In addition, laws and regulations can change quickly with limited advance notice. From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Because PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. Such uncertainty towards our contractual, property and procedural rights and legal obligations could adversely affect our business and impede our ability to grow our business. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

***We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading under PRC laws.***

PRC laws and regulations prohibit advertising companies from producing, distributing or publishing any advertisement with content that (i) violates PRC laws and regulations, (ii) impairs the national dignity of the PRC, (iii) involves designs of the PRC national flag, national emblem or national anthem or the music of the national anthem, (iv) is considered reactionary, obscene, superstitious or absurd, (v) is fraudulent, or (vi) disparages similar products. We may be subject to claims by customers misled by information on our mobile ordering system, website or other portals where we put our advertisements. We may not be able to recover our losses from advertisers by enforcing the indemnification provisions in the contracts, which may result in the diversion of management's time and other resources from our business and operations to defending against these claims. As a result, our business, financial condition and results of operations could be materially and adversely affected.

***Our employment practices may be adversely impacted under the Labor Law of the PRC, the PRC Labor Contract Law and related regulations.***

The Labor Law of the PRC, effective on January 1, 1995, and last amended on December 29, 2018, and the PRC Labor Contract Law (including the implementing rules), effective on January 1, 2008, and amended on December 28, 2012, and related regulations impose requirements concerning, among other things, the execution of written contracts between employers and employees, the time limit for probationary periods, the length of employment contracts, the working hour system, and the social insurance and welfare. The interpretation and implementation of related laws and regulations are still evolving. Therefore, our employment practices may violate the Labor Law of the PRC, the PRC Labor Contract Law and related regulations, and we could be subject to penalties, fines or legal fees as a result. If we are subject to severe penalties or incur significant legal fees in connection with labor-law disputes or investigations, our business, financial condition and results of operations may be materially and adversely affected.

***Our PRC Subsidiaries may be subject to fines relating to our leased properties.***

Under the relevant PRC laws and regulations, our PRC Subsidiaries are required to register and file executed leases with the relevant government authority. However, the lease agreements for most of our leased properties have not been registered with the PRC government authorities as required due to property owners' refusal to cooperate with the registration process, despite our efforts. Although the failure to do so does not in itself invalidate the leases, our PRC Subsidiaries may be ordered by the PRC government authorities to rectify such noncompliance, and if such noncompliance is not rectified within a given period of time, the PRC Subsidiaries may be subject to fines imposed by PRC government authorities ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement. While our PRC Subsidiaries intend to continue to seek the property owner's cooperation with the registration process, we cannot assure you that we will be able to successfully obtain such cooperation.

***PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident shareholders, beneficial owners and PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC Subsidiaries, limit our PRC Subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise adversely affect us.***

In July 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (the "SAFE Circular 37"). SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities, as well as foreign individuals that are deemed PRC residents for foreign exchange administration purposes) to register with the SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires the SAFE registrations be updated in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as a change in its name, operation term and PRC resident shareholder, an increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions.

In April 2014, the National Development Reform Committee (the "NDRC") promulgated the Administrative Measures for the Approval and Filing of Overseas Investment Projects, and in September 2014, the MOFCOM promulgated the Measures for the Administration of Overseas Investment. In December 2017, the NDRC further promulgated the Administrative Measures of Overseas Investment of Enterprises, which became effective in March 2018 and replaced the Administrative Measures for the Approval and Filing of Overseas Investment Projects. Pursuant to these regulations, any outbound investment of PRC enterprises in a non-sensitive area or industry is required to be filed with the MOFCOM and the NDRC or their local branches.

We have requested that all of our current shareholders and beneficial owners who, to our knowledge, are PRC residents complete the foreign exchange registrations and that those who, to our knowledge, are PRC enterprises comply with outbound investment related regulations. However, we may not be informed of the identities of all the PRC residents and PRC enterprises holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents and PRC enterprises will comply with our request to make or obtain the applicable registrations or continuously comply with all the requirements under SAFE Circular 37 or other related rules and the outbound investment related regulations. Failure by such shareholders or beneficial owners to comply with SAFE and outbound investment related regulations, or failure by us to amend the foreign exchange registrations of our PRC Subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC Subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Furthermore, as these foreign exchange and outbound investment related regulations are relatively new and their interpretation and implementation have been constantly evolving, it is uncertain how these regulations, and any future regulations concerning offshore or cross-border investments and transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. Due to the complexity and constantly changing nature of the regulations related to foreign exchange and outbound investment, as well as the uncertainties involved, we cannot assure you that we have complied or will be able to comply with all applicable foreign exchange and outbound investment related regulations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

***Restrictions on our subsidiaries on paying dividends or making other payments to us under existing or new laws and regulations of the PRC and the HKSAR may restrict our ability to satisfy our liquidity requirements.***

We are a holding company incorporated in the Cayman Islands, and payment of dividends by our subsidiaries is an important source of support for us to meet our financing needs.

Dividend payments from our PRC Subsidiaries are subject to various restrictions under current PRC laws and regulations and could be subject to additional, more onerous restrictions under new PRC laws and regulations that may come into effect in the future. Current PRC regulations permit our PRC Subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory condition and procedures, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC Subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. In addition, the PRC Enterprise Income Tax Law and its implementation rules provide that withholding tax at the rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises, unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated. Furthermore, if our PRC Subsidiaries incur debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements. Due to these restrictions and additional restrictions that may be imposed under new PRC laws and regulations that may come into effect in the future, cash and/or non-cash assets held by our PRC Subsidiaries may not be available to fund our foreign currency needs or any foreign operations that we may have in the future or for other uses outside of mainland China.

Based on the experience of our management team, we do not believe that remittance of cash and/or non-cash assets from Hong Kong, including cash and/or non-cash assets held by THHK, an intermediary holding company with no current business operations, is subject to the aforementioned interventions, restrictions and limitations by the PRC government or similar interventions, restrictions or limitations from the government of the HKSAR, nor do we believe such interventions, restrictions and limitations will be imposed on THHK or any future Hong Kong subsidiary that THIL may have in the foreseeable future. To the extent that our cash and/or non-cash assets in Hong Kong or any cash and/or non-cash assets held by our Hong Kong Subsidiaries are subject to the aforementioned interventions, restrictions and limitations by the PRC government or the government of the HKSAR, then, as a result of such interventions, restrictions and limitations, such cash/assets may not be available to pay dividends to us, to fund the operations of our subsidiaries outside Hong Kong or to be used outside of Hong Kong for other purposes.



***Fluctuations in exchange rates could have a material and adverse effect on the value of your investment and our results of operations.***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the political and economic conditions in China and PRC foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. On November 30, 2015, the Executive Board of the International Monetary Fund (the “IMF”) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right (the “SDR”) and decided that, from October 1, 2016, Renminbi would be determined to be a freely usable currency and will be included in the SDR basket. Since June 2010, the Renminbi has fluctuated significantly against the U.S. dollar. It is difficult to predict how market forces or policies by the PRC or U.S. government may impact the exchange rate between the Renminbi and the U.S. dollar in the future. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future.

Significant revaluation of the Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value and trading price of, and any dividends payable on, our securities in U.S. dollars. The appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion to the extent that we need to convert U.S. dollars into Renminbi for capital expenditures and working capital and other business purposes. Conversely, a significant depreciation of the Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our securities and have a negative effect on the U.S. dollar amount available to us for the purpose of making payments for dividends, royalties, strategic acquisitions or investments or for other business purposes.

Very limited hedging options are available in mainland China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to adequately hedge our exposure, or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may restrict or delay us from using the proceeds from the offerings of our listed securities to make loans or additional capital contributions to our PRC Subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.***

Under PRC laws and regulations, loans by THIL to its PRC Subsidiaries to finance their operations shall not exceed certain statutory limits and must be registered with the local counterpart of the SAFE, and any capital contribution from THIL to its PRC Subsidiaries is required to be registered with the competent PRC governmental authorities. Currently, there is no statutory limit to the amount of funding that we can provide to our PRC Subsidiaries through capital contributions, because there is no statutory limit on the amount of registered capital for our PRC Subsidiaries and we are allowed to make capital contributions to our PRC Subsidiaries by subscribing for their registered capital, provided that the PRC Subsidiaries complete the relevant filing and registration procedures. According to relevant PRC regulations on foreign-invested enterprises, capital contributions to our PRC Subsidiaries are required to be registered with SAMR or its local counterpart and a local bank authorized by the SAFE.

***Foreign exchange controls may limit our ability to effectively utilize our revenues and the proceeds from the offerings of our listed securities and adversely affect the value of your investment.***

The PRC government imposes foreign exchange controls on the convertibility of the Renminbi and, in certain cases, the remittance of currency out of mainland China. We receive the majority of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC Subsidiaries to fund any cash and financing requirements we may have. We do not currently have any cash management policy that dictates how funds shall be transferred between our holding company and subsidiaries, including our PRC Subsidiaries, THHK and any other non-PRC subsidiaries that we may have in the future, or among our subsidiaries. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions (such as purchase of imported coffee beans with foreign currencies), can be made in foreign currencies without prior approval of the SAFE provided that certain procedural requirements are met. Specifically, under the existing exchange restrictions, without prior approval of the SAFE, cash generated from the operations of our PRC Subsidiaries in mainland China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of mainland China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC Subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside mainland China, or to make other capital expenditure payments outside mainland China in a currency other than Renminbi. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends to our shareholders or fulfill other payment obligations in foreign currencies or fund any future operations that we may have outside of mainland China with foreign currencies.

In addition, under the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (“FIEs”) and the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, FIEs are prohibited from using Renminbi funds converted from their foreign exchange capital for expenditures beyond their business scopes or using such Renminbi funds to provide loans to persons other than their affiliates, unless within their business scope.

Any foreign loan procured by our PRC Subsidiaries is also required to be registered with the SAFE or its local branches or be filed with the SAFE in its information system, and each of our PRC Subsidiaries may not procure loans which exceed either (i) the amount of the difference between their respective registered total investment amount and registered capital or (ii) two and a half times, or the then-applicable statutory multiple, the amount of their respective audited net assets, calculated in accordance with PRC GAAP (the “Net Assets Limit”), at our election. Increasing the amount of the difference between their respective registered total investment amount and registered capital of our PRC Subsidiaries is subject to governmental approval and may require such subsidiary to increase its registered capital at the same time. If we choose to make a loan to a PRC entity based on its Net Assets Limit, the maximum amount that we would be able to loan to the relevant PRC entity would depend on the relevant entity’s net assets and the applicable statutory multiple at the time of the calculation. As of the date of this Annual Report, all of our PRC Subsidiaries have negative or very limited net assets, which prevents us from providing loans to them using the Net Assets Limit. Pursuant to the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises enacted by NDRC on February 1, 2023, any medium- or long-term loan to be provided by us to our PRC Subsidiaries must also be registered by and filed with the NDRC.

On October 23, 2019, SAFE further issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (the “Circular 28”), which took effect on the same day. Circular 28 allows non-investment FIEs to use their capital funds to make equity investments in mainland China as long as such investments do not violate the then effective negative list for foreign investments and the target investment projects are genuine and in compliance with laws. In addition, Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments. As this circular is relatively new, there remains uncertainty as to its interpretation and application and any other future foreign exchange-related rules. Violations of these circulars could result in severe monetary or other penalties.

These PRC laws and regulations and any new PRC laws and regulations that may come into effect in the future may significantly limit our ability to use Renminbi converted from the net proceeds from the offerings of our listed securities to fund the establishment of new entities in mainland China by our PRC Subsidiaries, and to invest in or acquire any other PRC companies through our PRC Subsidiaries. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC Subsidiaries, or future capital contributions by us to our PRC Subsidiaries. If we fail to complete such registrations or obtain such approvals or comply with any new registration or approval requirements under laws and regulations that may come into effect in the future, or if we are found to be in violation of any applicable laws with respect to foreign currency exchange, our ability to use the proceeds we received or expect to receive from our offshore offerings may be negatively affected and we may be subject to penalties, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Due to these existing and/or potential interventions in or the imposition of restrictions and limitations by the PRC government on our ability or the ability of our PRC Subsidiaries to transfer cash and/or non-cash assets based on existing or new PRC laws and regulations, cash and/or non-cash assets located in mainland China or held by our PRC Subsidiaries may not be available to fund our foreign currency needs or any foreign operations that we may have in the future or for other uses outside of mainland China, and we may not be able to effectively utilize the proceeds from the offerings of our listed securities to fund the operations or liquidity needs of our PRC Subsidiaries.

Based on the experience of our management team, we do not believe that remittance of cash and/or non-cash assets from Hong Kong, including cash and/or non-cash assets held by THHK, is subject to the aforementioned interventions, restrictions and limitations by the PRC government or similar interventions, restrictions or limitations from the government of the HKSAR, nor do we believe such interventions, restrictions and limitations will be imposed on THHK or any future Hong Kong subsidiary that THIL may have in the foreseeable future. To the extent that our cash and/or non-cash assets in Hong Kong or any cash and/or non-cash assets held by our Hong Kong Subsidiaries are subject to the aforementioned interventions, restrictions and limitations by the PRC government or the government of the HKSAR, then, as a result of such interventions, restrictions and limitations, such cash/assets may not be available to pay dividends to us, to fund the operations of our subsidiaries outside Hong Kong or to be used outside of Hong Kong for other purposes.

***The M&A Rules and certain other PRC regulations could make it more difficult for us to pursue growth through acquisitions in mainland China.***

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities involving mainland China companies by foreign investors more time-consuming and complex, including requirements in some instances that the in-charge government authority be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-monopoly Law of the PRC requires that the in-charge government authority be notified in advance of any concentration of undertaking if certain thresholds are triggered. In light of the uncertainties relating to the interpretation, implementation and enforcement of the Anti-monopoly Law, we cannot assure you that the in-charge Anti-monopoly Law enforcement agency will not deem our past acquisition or investments to have triggered the filing requirement for anti-trust review. If we or any of our PRC Subsidiaries is found to have violated the concentration provisions of the Anti-monopoly Law, the Anti-monopoly Law enforcement agency may order us to cease the implementation of concentration, dispose of relevant shares or assets within a certain period, transfer the business within a certain period and take other necessary measures to set back the concentration and impose a fine of up to 10% of our total sales during the previous year, if the concentration has or may have the effect of eliminating or restricting competition, or impose a fine of up to RMB5,000,000 if the concentration has no effect of eliminating or restricting competition. These measures may materially and adversely affect our business, financial condition and results of operations. In addition, under applicable laws, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement, are prohibited.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, promulgated by the SAFE in 2012, grantees of our incentive share awards who are PRC citizens or who are non-PRC residents continuously residing in mainland China for a continuous period of no less than a year shall, subject to limited exceptions, be required to register with the SAFE and complete certain other procedures through a domestic qualified agent and collectively retain an overseas entrusted institution to handle matters related to the exercise of stock options and the purchase and disposition of related equity interests. Failure to comply with these SAFE requirements may subject these individuals to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC Subsidiaries and limit our PRC Subsidiaries' ability to distribute dividends to us.

The PRC State Taxation Administration, or SAT, has also issued certain circulars concerning equity incentive awards. Under these circulars, our employees working in mainland China who exercise share options or are granted restricted share units will be subject to PRC individual income tax. If our employees fail to pay or if we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

***If additional remedial measures are imposed on the "big four" PRC-based accounting firms, including THIL's independent registered public accounting firm, in administrative proceedings brought by the SEC alleging such firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, THIL could fail to timely file future financial statements in compliance with the requirements of the Exchange Act.***

Starting in 2011, the "big four" PRC-based accounting firms, including THIL's independent registered public accounting firm, were affected by a conflict between U.S. and PRC law. Specifically, for certain U.S.- listed companies operating and audited in China, the SEC and the PCAOB sought to obtain from the PRC accounting firms access to their audit work papers and related documents. The firms were, however, advised and directed that under PRC law, they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act against the PRC accounting firms, including THIL's independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms, including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or, in extreme cases, the resumption of the current proceeding against all the affiliates of the "big four." If additional remedial measures are imposed on the Chinese affiliates of the "big four" accounting firms, including THIL's independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, THIL could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in mainland China, which could result in financial statements being determined not to be in compliance with the requirements of the Exchange Act. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based U.S.-listed companies, and the market price of our securities may be adversely affected.

If THIL's independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and THIL is unable to timely find another registered public accounting firm to audit and issue an opinion on its financial statements, its financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of THIL's shares or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the shares in the United States.

***The PCAOB had historically been unable to inspect our auditors in relation to their audit work. Our securities likely will be delisted under the HFCAA if the PCAOB is unable to inspect our auditors for two consecutive years after we are identified by the SEC as a Commission-Identified Issuer. The delisting of our securities, or the threat of our securities being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections will deprive investors of the benefits of such inspections.***

On December 18, 2020, the HFCAA was enacted. In essence, the HFCAA requires the SEC to prohibit securities of any foreign companies from being listed on U.S. securities exchanges or traded "over-the-counter" if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the HFCAA, pursuant to which the SEC will (i) identify an issuer as a "Commission-Identified Issuer" if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by the authority in the foreign jurisdiction, and (ii) impose a trading prohibition on the issuer after it is identified as a Commission-Identified Issuer for three consecutive years. The AHFCAA was passed by the U.S. Senate on June 22, 2021 and enacted on December 23, 2022 shortens the three-consecutive-year compliance period under the HFCAA to two consecutive years and, as a result, reduces the time before the potential trading prohibition against or delisting of THIL's securities. On December 29, 2022, the Consolidated Appropriations Act was signed into law, which contains, among other things, an identical provision to AHFCAA that reduces the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two.

On March 24, 2021, the SEC adopted interim final amendments, which became effective on January 10, 2022, relating to the implementation of certain disclosure and documentation requirements of the HFCAA. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined that it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. Before any registrant will be required to comply with the interim final amendments, the SEC must implement a process for identifying such registrants. Consistent with the HFCAA, the amendments will require any identified registrant to submit documentation to the SEC establishing that the registrant is not owned or controlled by a government entity in that jurisdiction, and will also require, among other things, disclosure in the registrant's annual report regarding the audit arrangements of, and government influence on, such registrant. In May 2021, the PCAOB issued a proposed Rule 6100, Board Determinations Under the HFCAA, for public comment. The proposed rule is related to the PCAOB's responsibilities under the HFCAA, which, according to the PCAOB, would establish a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On September 22, 2021, the PCAOB adopted Rule 6100, which was subsequently approved by the SEC on November 5, 2021. On December 16, 2021, the PCAOB issued a report on its determination that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong because of positions taken by local authorities. THIL's auditors, who are headquartered in mainland China, are subject to the determinations announced by the PCAOB, and the PCAOB had been unable to inspect THIL's auditors. On August 26, 2022, the PCAOB announced that it had signed a Statement of Protocol (the "Protocol") with the CSRC and the Ministry of Finance of China. The terms of the Protocol would grant the PCAOB complete access to audit work papers and other information so that it may inspect and investigate PCAOB-registered accounting firms headquartered in mainland China and Hong Kong. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions.

The enactment of the HFCAA and AHFCAA and the implications of any additional rulemaking efforts to increase U.S. regulatory access to audit information in China could cause investor uncertainty for affected SEC registrants, including THIL, and the market price of our securities could be materially adversely affected. If THIL is unable to meet the PCAOB inspection requirement in time, it could be delisted and THIL's securities will not be permitted for trading "over-the-counter" either. Such a delisting would substantially impair your ability to sell or purchase THIL's securities when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our securities. Also, such a delisting would significantly affect THIL's ability to raise capital on acceptable terms, or at all, which would have a material adverse effect on THIL's business, financial condition and prospects.

If the PCAOB is unable to conduct inspections, it will be prevented from fully evaluating the audits and quality control procedures of THIL's independent registered public accounting firm. As a result, THIL and investors in THIL's securities will be deprived of the benefits of such PCAOB inspections and it will be more difficult to evaluate the effectiveness of THIL's independent registered public accounting firm's audit procedures or quality control procedures, which could cause investors and potential investors to lose confidence in the audit procedures and reported financial information and the quality of THIL's financial statements.

***Your ability to effect service of legal process, enforce judgments or bring actions against us or certain of our officers and directors outside the U.S. will be limited and additional costs may be required.***

We are a Cayman Islands holding company that conducts our operations in mainland China through our PRC Subsidiaries. A majority of our assets, our entire management team and two of our directors are based in mainland China. Therefore, it may be difficult or costly for you to effect service of process against us or these officers and directors within the U.S. In addition, we have been advised by our PRC legal counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, that it is uncertain (i) whether and on what basis a PRC court would enforce judgment rendered by a court in the U.S. based upon the civil liability provisions of U.S. federal securities laws; and (ii) whether an investor will be able to bring an original action in a PRC court based on U.S. federal securities laws. See "Enforceability of Civil Liability" for more details. As such, you may not be able to or may experience difficulties or incur additional costs in order to enforce judgments obtained in U.S. courts based upon the civil liability provisions of U.S. federal securities laws in mainland China or bring original actions in mainland China based on U.S. federal securities laws. In addition, while we don't have any business operations in Hong Kong, one of our directors is based in Hong Kong. Similarly, it may be difficult or costly for you to effect service of process against this director within the U.S., and enforce judgments obtained in U.S. courts based upon the civil liability provisions of U.S. federal securities laws in Hong Kong or bring original actions in Hong Kong based on U.S. federal securities laws. Furthermore, any judgment obtained in the U.S. against THIL and these individuals may not be collectible within the U.S.

#### **Risks Related to THIL's Securities**

***The price of our securities may be volatile, and the value of our securities may decline.***

We cannot predict the prices at which our securities will trade. The price of our securities may not bear any relationship to any established criteria of the value of our business and prospects, and the market price of our securities may fluctuate substantially. In addition, the trading price of our securities could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our securities as you might be unable to sell these securities at or above the price you paid for the securities. Factors that could cause fluctuations in the trading price of our securities include the following:

- actual or anticipated fluctuations in our financial condition or results of operations;
- variance in our financial performance from expectations of securities analysts;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our business;
- announcements by us or our competitors of significant business developments, acquisitions or new offerings;

- sales of our securities by us, our shareholders or our warrant holders, as well as the anticipation of lockup releases;
- significant breaches of, disruptions to or other incidents involving, our information technology systems or those of our business partners;
- our involvement in litigation;
- conditions or developments affecting the coffee industry in China;
- changes in senior management or key personnel;
- the trading volume of our securities;
- changes in the anticipated future size and growth rate of our markets;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- general economic and market conditions; and
- other events or factors, including those resulting from war, incidents of terrorism, global pandemics or responses to these events.

***A market for our securities may not develop or be sustained, which would adversely affect the liquidity and price of our securities.***

A substantial number of our shares are subject to transfer restrictions. An active trading market for our securities may never develop or, if developed, may not be sustained. In addition, the price of our securities may vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports. Additionally, if our securities are not listed on Nasdaq and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange), the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

***If we do not meet the expectations of equity research analysts, if they do not publish research reports about our business or if they issue unfavorable commentary or downgrade our securities, the price of our securities could decline.***

The trading market for our securities relies in part on the research reports that equity research analysts publish about us and our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If our results of operations are below the estimates or expectations of equity research analysts and investors, the price of our securities could decline. Moreover, the price of our securities could decline if one or more equity research analysts downgrade our securities or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

***Future resales and/or issuances of ordinary shares may cause the market price of our shares to drop significantly.***

To the extent that we sell ordinary shares under the Facility, substantial amounts of ordinary shares will be issued and available for resale by Cantor, which would cause dilution and represent a significant portion of our public float and may result in substantial decreases in our stock price. After Cantor has acquired shares under the Facility, Cantor may resell all, some or none of such ordinary shares at any time or from time to time in its discretion and at different prices. The per share purchase price of the ordinary shares that we elect to sell to Cantor in a VWAP Purchase, if any, will be equal to 97% of the VWAP of the ordinary shares during the applicable VWAP Purchase Period for such VWAP Purchase; accordingly, the purchase price per share that Cantor will pay for the ordinary shares purchased from us under the Facility, if any, will fluctuate based on the market price of our ordinary shares. For example, assuming that the VWAP of our ordinary shares during the VWAP Purchase Period on a VWAP Purchase Date is \$4.33 per share, which was the closing price of our ordinary shares on April 24, 2023, the purchase price per share that Cantor would pay would be approximately \$4.20, and Cantor would profit on such shares if it were subsequently able to resell them for greater than \$4.20 per share. In addition, because Cantor paid no cash consideration for the Commitment Fee Shares (as defined below), any proceeds received by Cantor upon its sale of the Commitment Fee Shares would be profit. As such, because Cantor may experience a potential profit compared to other public investors, it may be incentivized to sell its ordinary shares when our public shareholders are not, which could cause the market price of our ordinary shares to drop significantly.

In addition, we have filed the Resale Registration Statement with the SEC, registering up to (i) 22,900,000 ordinary shares issuable by us upon the exercise of warrants and (ii) up to 62,151,365 ordinary shares (including ordinary shares issuable upon the exercise of the private placement warrants) and 5,650,000 private placement warrants to purchase ordinary shares offered by certain selling securityholders. The sales of these securities could result in a significant decline in the public trading price of our securities and could impair our ability to raise capital through the sale or issuance of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our securities. Despite such a decline in the public trading price, certain selling securityholders may still experience a positive rate of return on the securities they purchased due to the lower price that they purchased their ordinary shares and/or warrants compared to other public investors and may be incentivized to sell their securities when others are not. For example, the PIPE Investors (as defined below) who invested \$10 million or more may experience a potential profit on their PIPE Shares if the price of our ordinary shares exceeds \$8.33 per share; the PIPE Investors who invested less than \$10 million may experience a potential profit if the price of our Ordinary Shares exceeds \$10.00 per share; the ESA investors may be able to profit on their ESA Shares if the trading price of our Ordinary Shares is above \$3.32 (assuming that the Reference Price (as defined below) for the Third Reference Period (as defined below) is \$4.33, which was the closing price of our ordinary shares on April 24, 2023); and the PIPE Investors may experience a potential profit on their warrants if the price of our ordinary shares exceeds \$11.50 per share. The public securityholders may not experience a similar rate of return on the securities they purchase or have previously purchased due to differences in the purchase prices and the current trading price.

The issuance and resale of a substantial number of our ordinary shares, or the perception of such sales, could result in an increase in the volatility of the market price of our ordinary shares and a significant decline in the public trading price of our ordinary shares. Such decline in market price could be substantial.

***The exercise of warrants to purchase our Ordinary Shares could increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders.***

As of the date of this Annual Report, there were 22,900,000 warrants outstanding, of which 17,250,000 were public warrants. Each warrant entitles its holder to purchase one ordinary share at an exercise price of \$11.50 per share (subject to the adjustment described under the section titled "Description of Share Capital"). The private placement warrants became exercisable on October 28, 2022, and the public warrants became exercisable on December 23, 2022. To the extent warrants are exercised, additional ordinary shares will be issued, which will result in dilution to our then existing shareholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could depress the market price of our ordinary shares.



**We may redeem your unexpired public warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.**

We have the ability to redeem outstanding public warrants at any time after they become exercisable and prior to their expiration, at a price of \$0.01 per warrant, provided that the last reported sales price of our ordinary shares equals or exceeds \$18.00 per share (as adjusted) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption and there is an effective registration statement covering the issuance of ordinary shares issuable upon exercise of the warrants. In addition, we have the ability to redeem outstanding public warrants at any time after they become exercisable and prior to their expiration, at a price of \$0.10 per warrant, provided that the last reported sales price of our ordinary shares equals or exceeds \$10.00 per share (as adjusted) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption and if such last reported price is less than \$18.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like). Redemption of the outstanding public warrants could force you (i) to exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) to sell your warrants at the then-current market price when you might otherwise wish to hold your warrants, or (iii) to accept the nominal redemption price, which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants.

The private placement warrants, so long as held by the initial holders of these warrants and their permitted transferees, shall only be redeemable by us if the last reported sales price of our ordinary shares equals or exceeds \$10.00 per share (as adjusted) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption and if such last reported price is less than \$18.00 per share (as adjusted).

***The A&R Warrant Agreement provides that we agree that any action, proceeding or claim against us arising out of or relating in any way to such agreement will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and that we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or claim. This exclusive forum provision could limit warrant holders' ability to obtain what they believe to be a favorable judicial forum for disputes related to the A&R Warrant Agreement.***

In connection with the Business Combination, we entered into the A&R Warrant Agreement related to the warrants. The A&R Warrant Agreement provides that any action, proceeding or claim against us arising out of or relating in any way to such agreement will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, which will be the exclusive forum for any such action, proceeding or claim. This provision will apply to claims under the Securities Act but, as discussed below, will not apply to claims under the Exchange Act.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision in the A&R Warrant Agreement will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Accordingly, the exclusive forum provision does not designate the courts of the State of New York as the exclusive forum for any derivative action arising under the Exchange Act, as there is exclusive federal jurisdiction in that instance.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, the enforceability of the exclusive forum provision in the A&R Warrant Agreement is uncertain, and a court may determine that such provision will not apply to suits brought to enforce any duty or liability created by the Securities Act or any other claim for which the federal and state courts have concurrent jurisdiction. Further, compliance with the federal securities laws and the rules and regulations thereunder cannot be waived by investors in ordinary shares.

The exclusive forum provision in the A&R Warrant Agreement may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes related to the A&R Warrant Agreement, which may discourage such lawsuits against us and our directors or officers. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

***We do not intend to pay dividends before we become profitable, and as a result, your ability to achieve a return on your investment in the foreseeable future will depend on appreciation in the price of our ordinary shares.***

We do not intend to pay any cash dividends before we become profitable, which may not occur in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board. Accordingly, you may need to rely on sales of ordinary shares after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

***We are an “emerging growth company,” and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our securities less attractive to investors.***

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, disclosure obligations regarding executive compensation in our periodic reports, and the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We do not intend to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with certain other public companies difficult or impossible because of the potential differences in accounting standards used.

We will remain an emerging growth company until the earlier of: (i) the last day of the fiscal year (a) following the fifth anniversary of the first sale of our ordinary shares pursuant to an effective registration statement, (b) in which THIL has total annual gross revenue of at least \$1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common equity that is held by non-affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter; and (ii) the date on which we have issued more than \$1.00 billion in non-convertible debt securities during the prior three-year period. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act.

We cannot predict if investors will find our securities less attractive if we choose to rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities, and the price of our securities may be more volatile.

***We are foreign private issuer, and as a result, we are not subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.***

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including, among others, (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year, and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. As a result of all of the above, you may not have the same protections afforded to shareholders of a company that is not a foreign private issuer.

***As we are a “foreign private issuer” and have the option to follow certain home country corporate governance practices rather than those of Nasdaq, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.***

As a foreign private issuer, we have the option to follow certain home country corporate governance practices rather than those of Nasdaq, provided that we disclose the requirements we are not following and describe the home country practices we are following. We have opted to rely on this “foreign private issuer exemption” with respect to Nasdaq rules for shareholder meeting quorums and shareholder approval requirements. We may in the future elect to follow home country practices with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter. In the future, we would lose our foreign private issuer status if (1) more than 50% of our outstanding voting securities are owned by U.S. residents and (2) a majority of our directors or executive officers are U.S. citizens or residents, a majority of our assets are located in the U.S., or our business is administered principally in the U.S. If we lose our foreign private issuer status, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. A U.S.-listed public company that is not a foreign private issuer will incur significant additional legal, accounting and other expenses that a foreign private issuer will not incur.

***We are a “controlled company” within the meaning of Nasdaq corporate governance rules, which could exempt us from certain corporate governance requirements that provide protection to shareholders of companies that are not controlled companies.***

As of the date of this Annual Report, Peter Yu, our Chairman and the Managing Partner of Cartesian Capital Group, LLC (“Cartesian”), indirectly beneficially owns approximately 50.2% of our outstanding ordinary shares through entities controlled by him, including the Option Shares (as defined below). As a result of Peter Yu’s majority ownership and voting power, which would give him the ability to control the outcome of certain matters submitted to our shareholders for approval, including the appointment or removal of directors (subject to certain limitations described elsewhere in this registration statement), we qualify as a “controlled company” within the meaning of Nasdaq’s corporate governance standards and have the option not to comply with certain requirements to which companies that are not controlled companies are subject, including the requirement that a majority of our Board shall consist of independent directors and the requirement that our nominating and corporate governance committee and compensation committee shall be composed entirely of independent directors. We currently do not and do not intend to take advantage of these exemptions. However, in the event that we elect to rely on the exemptions, shareholders of THIL will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

***We have incurred increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.***

As a public company, we have incurred significant legal, accounting and other expenses that we did not incur as a private company, which we expect to further increase after we are no longer an “emerging growth company.” The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the continued listing requirements of Nasdaq, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel are not experienced in managing a public company and are required to devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

***As a result of being a public company, we are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our securities.***

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of the end of the fiscal year that coincides with the filing of our second annual report on Form 20-F. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company.”

Our current internal controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems and controls to accommodate such changes. Additionally, if these new systems, controls or standards and the associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could materially and adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports or the effectiveness of our internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines that we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our securities could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

The growth and expansion of our business places a continuous, significant strain on our operational and financial resources, and our internal controls and procedures may not be adequate to support our operations. As we continue to grow, we may not be able to successfully implement requisite improvements to these systems, controls and processes, such as system access and change. The growth and expansion of our business places a continuous, significant strain on our operational and financial resources. Further growth of our operations to support our customer base, our information technology systems and our internal controls and procedures may not be adequate to support our operations. As we continue to grow, we may not be able to successfully implement requisite improvements to these systems, controls and processes, such as system access and change management controls, in a timely or efficient manner. Our failure to improve our systems and processes, or their failure to operate in the intended manner, whether as a result of the growth of our business or otherwise, may result in our inability to accurately forecast our revenue and expenses, or to prevent certain losses. Moreover, the failure of our systems and processes could undermine our ability to provide accurate, timely and reliable reports on our financial and operating results and could impact the effectiveness of our internal control over financial reporting. In addition, our systems and processes may not prevent or detect all errors, omissions or fraud.

***We have identified material weaknesses in our internal controls over financial reporting, which, if not corrected, could affect the reliability of our financial statements and have other adverse consequences.***

In connection with the audit of our consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, changes in shareholders’ equity, and cash flows for the years ended December 31, 2022, 2021 and 2020, we and our independent registered public accounting firm have identified material weaknesses in our internal controls over financial reporting, which we have begun to address and have a plan to further address. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified relate to (i) our company's lacks of sufficient competent financial reporting and accounting personnel with appropriate understanding of U.S. GAAP and financial reporting requirements set forth by the SEC to formalize, design, implement and operate key controls over financial reporting process to address complex U.S. GAAP accounting issues and related disclosures, in accordance with U.S. GAAP and SEC financial reporting requirements; and (ii) our company has inadequate period end financial closing policies and procedures to implement and effectively operate key controls over period end financial closing process for preparation of consolidated financial statements, including disclosures, in accordance with U.S. GAAP and relevant SEC financial reporting requirements.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal controls under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal controls over financial reporting. Had we performed a formal assessment of our internal controls over financial reporting, or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional material weaknesses or internal control deficiencies may have been identified.

To remediate our identified material weakness, we have hired a Chief Financial Officer with appropriate understanding of U.S. GAAP and financial reporting requirements set forth by the SEC. We also plan to adopt measures to improve our internal controls over financial reporting, including, among others: (i) hiring additional qualified accounting and financial personnel with appropriate knowledge and experience in U.S. GAAP and SEC reporting requirements, (ii) organizing regular training for our accounting staff, especially training related to U.S. GAAP and SEC reporting requirements, (iii) formulating U.S. GAAP accounting policies and procedures manual, which will be maintained, reviewed and updated, on a regular basis, to the latest U.S. GAAP accounting standards, and (iv) improving period end financial closing policies and procedures for preparation of consolidated financial statements. However, the implementation of these measures may not fully address these deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remediated. Our failure to correct these deficiencies or failure to discover and address any other deficiencies could result in inaccuracies in our financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud.

***We do not intend to make any determinations on whether we or our subsidiaries are CFCs for U.S. federal income tax purposes.***

We do not intend to make any determinations on whether we or any of our subsidiaries are treated as "controlled foreign corporations" within the meaning of Section 957(a) of the United States Internal Revenue Code of 1986, as amended (the "Code") ("CFCs"), or whether any U.S. Holder (as defined below) of ordinary shares is treated as a "United States shareholder" within the meaning of Section 951(b) of the Code with respect to any such CFC. We do not expect to furnish to any U.S. Holder of ordinary shares information that may be necessary to comply with applicable reporting and tax paying obligations with respect to CFCs. The IRS has provided limited guidance regarding the circumstances in which investors may rely on publicly available information to comply with their reporting and taxpaying obligations with respect to CFCs. U.S. Holders of ordinary shares should consult their tax advisors regarding the potential application of these rules to their particular circumstances. A "U.S. Holder" means any beneficial owner of THIL's securities that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or other entity taxable as a corporation) created or organized under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a "United States person" (within the meaning of Section 7701(a)(30) of the Code) for U.S. federal income tax purposes.

***If we or any of our subsidiaries are characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, U.S. Holders may suffer adverse U.S. federal income tax consequences.***

A non-U.S. corporation generally will be treated as a PFIC for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income.

Whether we or any of our subsidiaries are a PFIC for any taxable year is a factual determination that depends on, among other things, the composition of our income and assets, our market value and the market value of our subsidiaries' shares and assets. Changes in our composition, the composition of our income or the composition of any of our subsidiaries assets may cause us to be or become a PFIC for the current or subsequent taxable years. Whether we are treated as a PFIC for U.S. federal income tax purposes is a factual determination that must be made annually at the close of each taxable year and, thus, is subject to significant uncertainty. Moreover, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that the Internal Revenue Service (the "IRS") will not take a contrary position or that a court will not sustain such a challenge by the IRS.

If we are a PFIC for any taxable year, a U.S. Holder of our ordinary shares may be subject to adverse tax consequences and may incur certain information reporting obligations. U.S. Holders of our ordinary shares are strongly encouraged to consult their own advisors regarding the potential application of these rules to us and the ownership of our ordinary shares.

#### **ITEM 4 INFORMATION ON THE COMPANY**

##### **A History and Development of the Company**

We are an exempted company incorporated in the Cayman Islands in April 2018, with limited liability under the laws of the Cayman Islands with significant subsidiaries in China. In September 2022, we completed a business combination with Silver Crest Acquisition Corporation and became listed on Nasdaq.

Our registered address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The mailing address of our principal executive office is 2501 Central Plaza, 227 Huangpi North Road, Shanghai, People's Republic of China and its telephone number is +86-021-6136-6616.

We are subject to the informational reporting requirements of the Exchange Act. We file reports and other information with the SEC under the Exchange Act. Our SEC filings are available over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). Our website address is [www.timschina.com](http://www.timschina.com). The information on, or that can be accessed through, our website is not part of this Annual Report.

##### **B Business Overview**

We are an emerging coffee champion in China. Our vision is as simple as it is ambitious: to build the premier coffee and bake shop in mainland China. Founded by affiliates of Cartesian and THRI, the owner of the Tim Hortons brand, we are the parent company of the master franchisee of, and hold the right to operate, Tim Hortons coffee shops in mainland China, Hong Kong and Macau. Tim Hortons, one of the largest coffee, donut, and tea restaurant chains in the world, is deeply rooted in core values of inclusivity and community. We opened our first coffee shop in China in February 2019 and have grown dramatically since then, selling high-quality coffee and freshly prepared food items at attractive price points through company owned and operated stores and franchised stores. As of December 31, 2022, we had 617 system-wide stores across 39 cities in mainland China. In addition, on March 30, 2023, we became the exclusive operator and developer of the Popeyes® brand in mainland China. As of the date of this Annual Report, we have not opened any Popeyes store in mainland China.

As of the date of this Annual Report, we do not have any stores outside of mainland China. In addition to our physical store network, we have built a rapidly expanding base of loyal customers and a robust technology infrastructure that facilitates digital ordering and supports the efficient growth of our business. In 2020, 2021 and 2022, digital orders, including both delivery and mobile ordering for self pick-up, accounted for approximately 64.2%, 73.0% and 80.1% of our revenues from company owned and operated stores. We also have a popular loyalty program, which has experienced tremendous growth since its establishment in 2019, reaching 2.3 million, 6.0 million and 11.3 million members as of December 31, 2020, 2021 and 2022, respectively. In February 2022, Tim Hortons China transferred control and possession of the personal data of our customers to DataCo, a PRC-incorporated company, pursuant to a Business Cooperation Agreement. For a more detailed description, see "— Digital Technology and Information Systems."

We provide customers with a distinctive value proposition, combining freshly prepared, high-quality and locally relevant food and beverages, priced attractively and served to our guests with an inviting customer experience. Our business philosophy is anchored by four fundamental cornerstones: true local relevance, continuous innovation, genuine community, and absolute convenience, and we seek to deliver these through world-class execution and data-driven decision making.

- **True local relevance:** As a global brand, we strive to understand and embrace what our guests like, want and need. True localization is evident in our menu, store designs and digital identity, allowing us to create familiarity and grow rapidly in the Chinese market.
- **Continuous innovation:** In China’s dynamic and demanding consumer market, we bolster our strong core menu offering by continually updating our product offerings and innovating on our digital systems from customer facing elements like ordering, to back-of-the-house systems like training and supply chain.
- **Genuine community:** We are not just about caffeine but also about connections. Our physical and digital spaces allow our community to interact around our products, and our loyalty club offers incentives and discounts to build community and drive sales.
- **Absolute convenience:** We strive to make buying our products as simple and convenient as possible for guests. Towards this goal, we (i) strategically deploy three complementary store formats, namely flagship stores, classic stores and “Tims Go” stores, (ii) leverage mobile ordering to streamline the customer experience, and (iii) utilize delivery to increase our reach and efficiency.

Building on these four cornerstones, our revenue in 2022 nearly doubled compared to 2021, and we maintained positive adjusted store EBITDA for our company owned and operated stores for 2020, 2021, the third and fourth quarters of 2022 and the first quarter of 2023. The fully-burdened gross profit of our company owned and operated stores, the most comparable GAAP measure to adjusted store EBITDA, for 2020, 2021 and 2022 was negative RMB42.8 million, negative RMB153.5 million and negative RMB211.6 million (US\$30.7 million), respectively. During the same periods, our adjusted store EBITDA was RMB5.6 million, RMB19.8 million and negative RMB40.7 million (US\$5.9 million), respectively. For more details regarding adjusted store EBITDA, a non-GAAP financial measure, which is a key measure used by our management and Board in evaluating our operating performance and making strategic decisions regarding capital allocation, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results — Non-GAAP Financial Measures.”

Our revenues grew significantly from RMB212.1 million in 2020 to RMB643.4 million in 2021, and further grew to RMB1,011.1 million (US\$146.6 million) in 2022. Our total costs and expenses increased from RMB353.3 million in 2020 to RMB1,017.8 million in 2021, and further increased to RMB1,592.2 million (US\$230.9 million) in 2022. Our net loss increased from RMB143.1 million in 2020 to RMB382.9 million in 2021, and further increased to RMB744.7 million (US\$108.0 million) in 2022. For more details regarding our results of operations, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results — Results of Operations.”

## **Our Market Opportunity**

We believe that the Chinese coffee market remains significantly underpenetrated. Coffee consumption per capita in China is currently a small fraction of many Western and Asian markets. According to data from the United States Department of Agriculture Foreign Agricultural Service, in 2020, per capita annual consumption of coffee in China was only 19 cups, compared to 628 cups in the United States and 494 cups in Japan. At the same time, China has the fastest growing coffee market globally, according to a 2020 report by Global Market Trajectory & Analytics.

## **Our Strengths**

We believe that the following strengths contribute to our success and differentiate us from our competitors:

### *High Quality Offerings and Value for Money*

THRI has been developing its coffee expertise for over 50 years, including sourcing premium Arabica beans, roasting to create unique flavors and aromas, and brewing fresh cups of coffee. We are beneficiaries of this expertise, as we source our beans from and utilize the brewing techniques of THRI. Our coffee offers guests a compelling value proposition relative to competitors, offering high quality at attractive price points. This middle segment of the China coffee market, namely coffee priced at RMB15-30 per cup, has fewer competitors and a large consumer base.

In addition to attractively priced, high-quality coffee, we also offer other quality, freshly prepared and locally relevant beverages and food at compelling price points, such as RMB9.9 breakfast bagels and RMB4.0 TIMBIT® snacks. We believe that our food offerings are a key differentiator and one reason customers choose to come to our stores throughout the day and deliver strong value-for-money to our customers. In the fourth quarter of 2022, the percentage of orders with food increased to 47.1% from 38.5% in the fourth quarter of 2021.

#### *Robust Local Supply Chain*

Drawing on our management's experience and network from helping to build Burger King China, we have constructed a strong supply chain that supports our rapidly growing store network, focused on sourcing fresh ingredients. We partner with leading suppliers across our product categories and have primary and secondary suppliers for each key category, except coffee beans, which we source from THRI. For example, our dairy products and some of our vegetables are sourced regionally to ensure the highest freshness. We select suppliers based on quality, sustainability, innovation, capabilities, services and corporate social responsibility. In addition to complying with applicable PRC laws and regulations, each of our suppliers is required to have a Global Food Safety Initiative (GFSI) certificate, a widely-recognized food safety standard.

#### *Best-in-Class Digital Capabilities*

We have an integrated business intelligence system that covers various aspects of the business operations of our PRC Subsidiaries, including, among others, the way we train our team, the way we maintain our inventory and ensure food safety, how our guests order and how they share their feedback. The use of mobile and digital technologies enables us to provide our guests with added convenience. In 2020, 2021 and 2022, digital orders, including both delivery and mobile ordering for self pick-up, accounted for approximately 64.2%, 73.0% and 80.1% of our revenues from company owned and operated stores. We have also built, and continue to expand, our presence across the digital ecosystem in China, from vertical service platforms such as Eleme, Tmall and Meituan Dianping, to social media platforms such as Weibo, Weixin, Xiaohongshu and TikTok, which effectively increases our brand awareness and enables us to expand our community.

#### *Development Expertise and High-Visibility Pipeline*

Since entering the Chinese market, we have accelerated our store roll-out, opening 34 stores in 2019, 103 stores in 2020, 253 stores in 2021 and 227 stores in 2022. Under the leadership of our management team, which has a track record of supporting Burger King China's expansion from approximately 60 stores to over 1,200 system-wide stores from June 2012 to September 2020, we expect to continue to expand our network of Tims China stores.

We employ multiple formats and sizes to drive density and convenience, and leverage sophisticated analytics for site identification, which improves store-level economics and yields shorter payback periods.

#### *Experienced Management Team Supported by Blue-Chip Shareholders*

We are led by a team of industry veterans with world-class development expertise. Our Chairman, Peter Yu, is the Managing Partner and co-founder of Cartesian and was previously the founder, president and CEO of AIG Capital Partners, Inc., a leading international private equity firm. Our Chief Executive Officer and Director, Yongchen Lu, was the CFO of Burger King China from November 2012 to April 2018. Before joining Cartesian in 2008, Mr. Lu managed various aspects of General Electric's Asia Pacific operations for over six years, including finance, six sigma, and product management. Our Chief Consumer Officer, Bin He, served as the interim head of marketing of Burger King China for two years. Before joining Cartesian in 2012, Ms. He was a Commercial Planning Assistant Manager at Bacardi Asia Pacific, and, prior to that, an analyst at ChinaVest.

Our shareholders, including Cartesian, THRI, Tencent and Sequoia China are committed to the long-term success of our business and are aligned with our management on strategy and long-term value creation. We expect our management team will continue to build on our competitive strengths and implement our growth strategies by leveraging their deep industry expertise, cross-cultural backgrounds, proven execution capabilities and the support of our shareholders.



## Our Strategies

We plan to pursue the following strategies to grow our business, building from our four fundamental cornerstones:

**Deepen localization across product offerings and other brand touchpoints.** We believe that product localization is key to our success, and thus have developed numerous popular, and sometimes sensational, products custom-made for local markets. Going forward, we plan to continue to deepen our product localization efforts, especially for the new cities that we enter, and expand our product offerings to include lunch combinations, afternoon tea specials and dinner sets. In addition to localizing products, we aim to blend the allure of the Tim Hortons Canadian branding with locally relevant features in every customer touchpoint. This includes, for example, the design of our stores, our digital identity, the uniforms of our store employees and our partnerships.

**Continuously pursue innovation.** The Chinese consumer market is dynamic and demanding, giving consumers many choices for their attention and discretionary spending. We strive to offer creative engagement with our guests. In addition to our strong signature product platforms, we plan to continue developing over 30 new products every year, as we have done historically with products such as our coffee quartet latte, coffee cloud milk tea and lemon peach oolong tea. We plan to innovate new product offerings to grow our lunch, afternoon tea, and dinner dayparts. Further, we plan to continue investment in innovative digitalization, which permeates everything we do, including ordering, training, marketing, community, food safety and supply chain. Our pursuit of innovation not only supports our continued growth, but provides avenues to improve profitability.

**Expand our genuine community.** Our stores are designed to feel like a second home for our guests. We create physical spaces where our guests can relax with their families and friends, and digital spaces where they can connect with other members of our online community. Going forward, we plan to continue building a diversity of digital and offline partnerships to further expand our customer community, like we have historically with Tencent Esports and MAC Cosmetics. We all live in overlapping communities, and we aim to continue to bring them together around Tims to enlarge and diversify our community and customer base.

**Offer greater convenience.** We seek to serve our guests whenever and wherever, to deliver high-quality food and beverages with the greatest ease. Towards this goal, we strategically deploy three complementary store formats, namely: large, brand-building flagship stores, full-service classic stores and compact “Tims Go” stores to provide sufficient visibility and density in a trade area to enable truly convenient guest access. Further, as noted above, we utilize delivery to increase the reach and efficiency of our physical store network, which enables our stores to serve a greater population of guests and allows our guests to enjoy Tims products without coming to our stores. On a more macro basis, we focus our development on clusters of cities, building density in core consumer populations as a first order of business before spreading out geographically.

**Our Products**

We offer a broad selection of coffee drinks in three general price tiers. Our Tims signature brewed coffee, with customized cream and sugar options, is our entry-point product and traffic builder. Handcrafted coffee with popular espresso choices, such as Latte, Americano and Flat White, composes our core product offering and offers a great value for money at a slightly higher price. We also offer specialty coffees and on-trend products such as Oatmilk Latte, Cold Brew and seasonal limited time offerings. In addition to coffee, we also offer alternative beverages such as brewed tea and Oolong tea, coffee milk tea, lemonade, hot chocolate and more.

### 花式咖啡 HANDCRAFTED COFFEE

<p>加享枫味玛奇朵 (热/冰) 31 Maple Macchiato (hot/cold)</p> <p>燕麦蛋白 (热/冰) 33 Oat Milk Flat White (hot/cold)</p> <p>美式咖啡 (热/冰) 24 Americano (hot/cold)</p> <p>风味拿铁 (热/冰) 30 Flavored Coffee Latte (hot/iced)</p> <p>卡布奇诺 (热) 27 Cappuccino (hot)</p>	<p>香柠冷萃 (热) 33 Lemon Cold Brew (hot)</p> <p>拿铁 (热/冰) 27 Coffee Latte (hot/cold)</p> <p>澳白 (热/冰) 29 Flat White (hot/cold)</p> <p>摩卡 (热/冰) 29 Mocha (hot/cold)</p> <p>冷萃 (热/冰) 31 Cold Brew (hot/cold)</p>	
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定制您的口味  
加一份奶沫+3元  
加一份坚果/干酪/燕麦/果酱+4元

### 鲜萃咖啡 FRESHLY BREWED COFFEE

<p>鲜萃黑咖 10 Brewed Coffee</p> <p>鲜萃奶咖 10 Creamy Brewed Coffee</p> <p>double double 18</p>	<p style="color: #c00000; font-weight: bold;">定制您的口味 PERSONALIZE YOUR COFFEE</p> <p style="font-size: x-small;">咖啡豆可选: CUPPING RESULTS</p> <p>中度烘焙 (热/冰) Original Blend (hot/cold)</p> <p>深度烘焙 (热/冰) Dark Blend (hot/cold)</p> <p style="font-size: x-small;">免费加奶或加糖 FREE CREAM OR SUGAR</p>	
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自带杯 立减3元  
\*以上产品 47/50ml 糖度 50/100%，含咖啡渣/无，产地以实际为准。

### 天乐雪 ICED CAPP

<p>经典天乐雪 27 Classic Iced Capp</p> <p>加享枫味天乐雪 31 Maple Flavored Iced Capp</p> <p>风味天乐雪 (每杯均含10%酒精) 29 Flavored Iced Capp (Alcohol Content 10%)</p>	<p>牛油果榴莲天乐雪 33 Avocado, Mango Iced Capp 不含酒精/无酒精/Alcohol free</p>	
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以上产品均含酒精/含酒精/Alcohol

### 茶和其他饮品 TEA AND OTHER BEVERAGE

<p>四喜次浮云奶茶 (热/冰) 28 Coffee Cloud Milk Tea (hot/cold)</p> <p>柠檬蜜桃乌龙茶 (热/冰) 28 Lemon Peach Oolong Tea (hot/cold)</p> <p>燕麦抹茶拿铁 (热/冰) 30 Oat Milk Matcha Latte (hot/cold)</p> <p>法式香草风味咖啡 (热/冰) 24 French Vanilla Coffee (hot/cold)</p>	<p>抹茶桃山生椰乳 (热/冰) 29 Matcha Peach Coconut Milk Latte (hot/cold)</p> <p>鲜萃红茶 (热/冰) 18 Shaped Black Tea (hot/cold)</p> <p>经典热可可 (热/冰) 27 Cocoa hot (hot/cold)</p> <p>柠檬气泡饮 (热/冰) 18 Lemon Drink hot (hot/cold)</p>	
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自带杯 立减3元  
\*以上产品 47/50ml 糖度 50/100%，含咖啡渣/无，产地以实际为准。

## 这个夏天 躺在云上...

——Tims 浮云系列上新



四喜次浮云奶茶 (热/冰) 28  
Coffee Cloud Milk Tea (hot/cold)

牛油果榴莲天乐雪 (热/冰) 33  
Avocado, Mango Iced Capp (hot/cold)

抹茶桃山生椰乳 (热/冰) 29  
Matcha Peach Coconut Milk Latte (hot/cold)

燕麦抹茶拿铁 (热/冰) 30  
Oat Milk Matcha Latte (hot/cold)

法式香草风味咖啡 (热/冰) 24  
French Vanilla Coffee (hot/cold)

经典热可可 (热/冰) 27  
Cocoa hot (hot/cold)

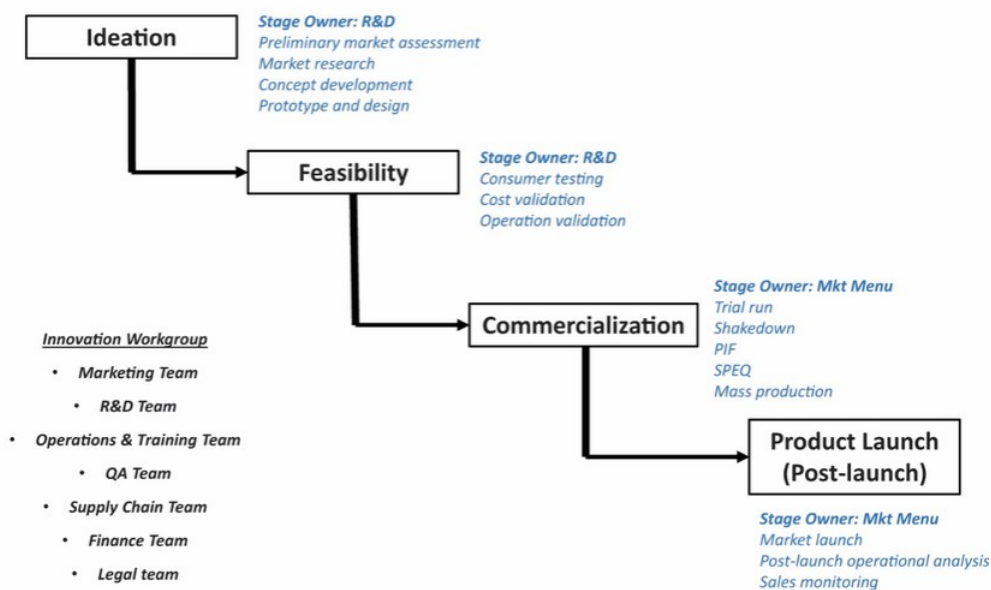
柠檬气泡饮 (热/冰) 18  
Lemon Drink hot (hot/cold)

Our broader menu spans a broad range of categories designed to appeal to customers throughout the day, such as our breakfast bagels, croissants, toast, donuts, and TIMBITS®; our lunch sandwiches, wraps, and ciabatta; and our afternoon tea fresh baked goods, including donuts and cakes. In particular, we aim to build breakfast as a key daypart, offering guests seeking convenience a one-stop shop with our signature brewed coffee and freshly prepared food. Here are some of our most popular offerings:



New product development is a key driver of our long-term success. We gather guest feedback and insights to inform the creation of new products. We believe the development of new products can drive incremental traffic by expanding our customer base, expanding our offerings in multiple dayparts, and continuing to build brand leadership in food and beverage quality and taste. The development process for each new product involves multiple steps, from supplier qualification, to taste testing and refinement, to cost analysis, and finally to operational complexity analysis. This helps us choose products that are not only desirable, but also profitable. We believe that our current pace of more than 30 new products per year keeps our guests interested and eager to return to our store and try something new. In September 2022, we launched two co-branded ready-to-drink coffee products in partnership with Easy Joy. On November 18, 2022, we announced a two-year partnership with Freshippo, pursuant which we and Freshippo will introduce co-branded coffee products for sale exclusively through Freshippo’s online channels and over 300 brick-and- mortar stores located in 27 cities across China. We and Freshippo will also work together on research and development of the co-branded products, collaborating on product design, positioning, promotion, and pricing. The chart below outlines the process flow for new project launch.

## Innovation Main Stages



As discussed above, in order to appeal to local tastes, we customize products for the Chinese market, and, in some cases, even for specific cities. Such products include, among others, Sichuan Beef Wraps, Red Bean Pumpkin Bagels, Lotus-Maple Latté and Mochi-style TIMBITS®. In honor of our launch in Beijing, we also offered TIMBITS® in tanghulu style, a take on the classic Beijing winter street snack of candied hawthorns.

## **Our Community**

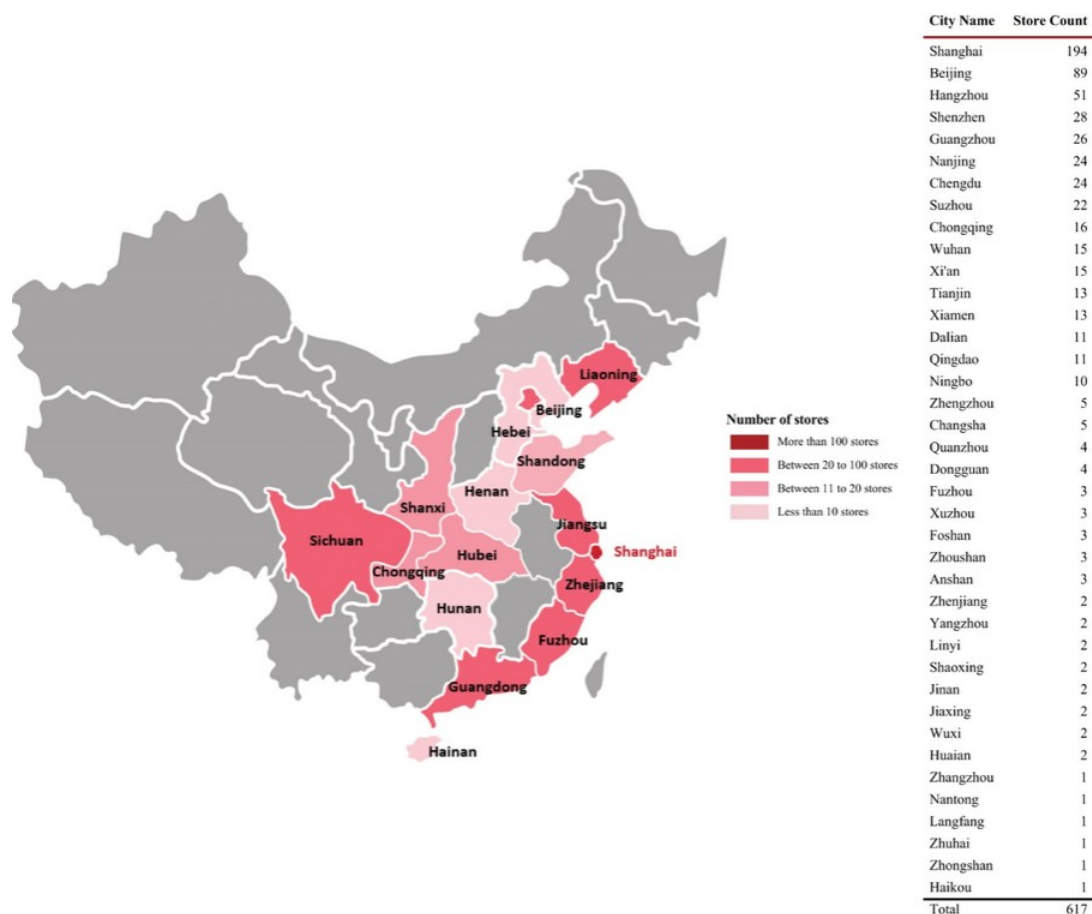
Driving the coffee market's rapid growth is an expanding group of coffee drinkers in China, including among others, the emerging middle class, office workers, overseas returnees, and people who are drawn to global brands. From the beginning, our focus has been on offering our guests compelling values, both functional and emotional. Since we introduced our loyalty program in 2019, our membership has experienced tremendous growth, reaching 2.3 million, 6.0 million and 11.3 million as of December 31, 2020, 2021 and 2022, respectively.

Our core guest base includes the following groups: (i) young professionals who are attracted to global brands and seek value for money; (ii) lifestyle advocates, especially female professionals, entrepreneurs and stay-at-home moms, who seek a welcoming and comfortable environment and experience; (iii) mature coffee drinkers who value reliable high quality coffee and convenience; and (iv) fans who have strong emotional attachment to our brand and are eager to share our products with their network. We offer an integrated online and offline community experience for our customers, including both coupons and engaging activities, which drives traffic and strengthens our community. For instance, for young professionals, we have worked with Tencent Esports to build Esports themed coffee shops, offering the unique experience of watching and playing Esports while enjoying tailor-made coffees and beverages. For lifestyle advocates, we have hosted awareness- building events with cosmetic brands, inviting guests to try on new lipsticks while enjoying limited-time- offer peach coconut lattes. Our ultimate goal is to make every guest feel comfortable and at home at any time.

Within our loyalty program, we developed a member referral program to accelerate the expansion of our community. Our loyalty program allows registered members to earn points for each qualifying purchase, which may be used towards products in our company owned and operated stores. We offer three tiers of membership incentives based on points — further driving traction with our digitally-minded customers and encouraging repeat purchases. Customer points, which generally expire 12 months after being earned, may be credited towards purchases to receive products for free or at a discounted price in our stores. In February 2022, Tim Hortons China transferred control and possession of the personal data of our customers, including loyalty program, to DataCo, a PRC-incorporated company, pursuant to a Business Cooperation Agreement. For a more detailed description, see “— Digital Technology and Information Systems.”

## Our Store Network

As of December 31, 2022, we had 617 stores across 39 cities in mainland China, of which 70 are franchised and 547 are owned and operated by us, as shown in the map below. As of the date of this Annual Report, we do not have any stores outside of mainland China. Most of our stores are located in first-tier cities in China, including Beijing, Shanghai and Guangzhou, and within those, in locations with high demand for coffee, such as office buildings, shopping malls and transportation hubs.



## Our Store Portfolio

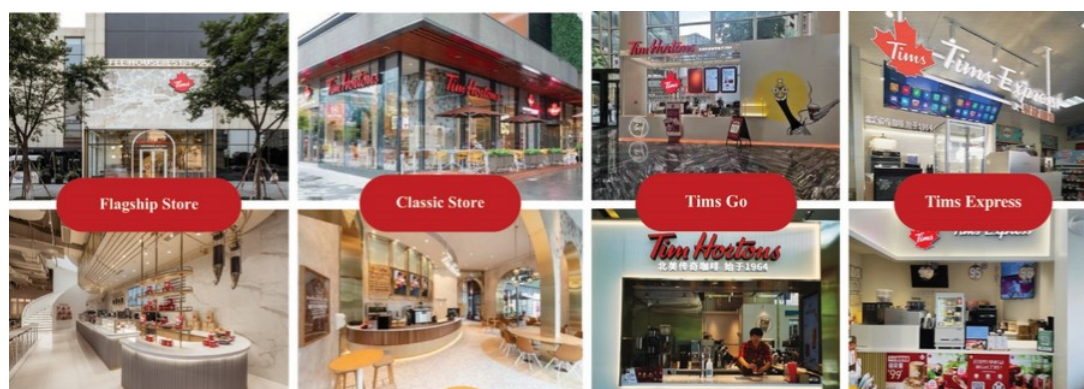
The décor, layout and overall feel of our coffee shops are designed for efficient operations and to appeal to local tastes. Our stores incorporate elements of the global Tim Hortons décor, coupled with themes tailor-made by location for our guests, such as our distinctive soft colors, local artwork and abundant light. In particular, we strategically deploy four complementary store formats, namely flagship stores, classic stores, “Tims Go” stores and “Tim Express” stores, to drive traffic and network effects.

- Flagship “Golden Maple” Stores (typically greater than 150 square meters) are situated in high-profile, high-traffic sites and are carefully architected to build brand equity, serving as both marquee advertising and sales outlets. Golden Maple stores offer an extended menu including classic coffee choices, premium specialty coffees and other alternative beverages, freshly made sandwiches, wraps and a wide assortment of baked goods. In addition, we have also built themed, co-branded stores to amplify guest experience for certain groups, such as Esports fans.

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- Classic “Maple” Stores (80 – 150 square meters) are our mainstream shops and offer a full menu of classic coffee choices and beverages along with freshly prepared sandwiches and baked goods.
- Compact “Tims Go” Stores (20 – 80 square meters) are built to address “grab and go” and digital occasions and are situated in convenient locations where a classic shop would not fit (such as an office lobby or an exit from a subway station). “Tims Go” menus are beverage-focused with best-selling coffee choices and grab & go food offerings. In September 2021, we entered into a strategic partnership agreement with METRO China, a leader in China’s wholesale and retail industry with nearly 100 stores across 60 cities in China. Under the partnership, we will be the exclusive coffee shop brand in METRO stores in China. We have opened several Tims Go stores in METRO China outlets, and enjoy preferred site selection, as well as delivery services and complimentary marketing initiatives.
- Innovative “Tims Express” Stores (~20 square meters) are located within Easy Joy convenience stores, as part of our collaboration with Easy Joy, and the storefronts of certain other brick and mortar businesses that we collaborate with.

As of December 31, 2022, we had 35 flagship stores, 404 classic stores, 152 “Tims Go” stores and 26 “Tims Express” stores.



### *Site Selection and Expansion*

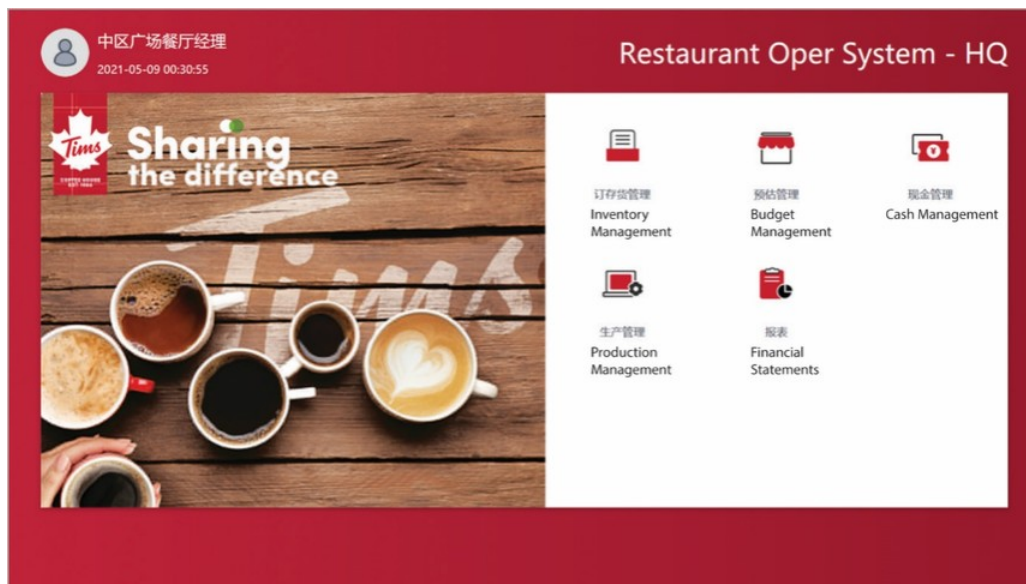
For store development, we utilize a clustering strategy, whereby we focus our store development efforts on a geographically proximate group of cities and trade areas, centered on a large tier-one city. This allows us to build store density quickly, thereby increasing brand awareness, driving convenience, and leveraging scale in marketing and logistics to improve margins. We plan to continue to open new stores in five main clusters centered around Shanghai, Beijing, Shenzhen, Chengdu and Chongqing. Shanghai was our entry point in China and is the core of our first cluster of cities for development. We believe that this clustering strategy will help increase the density of our operations, improve convenience for our customers and enhance our supply chain efficiency. We plan to open most of the new stores as company owned and operated stores to ensure the consistent high quality of our products and services, which is the foundation of our nationwide brand recognition. In the meantime, we also plan to work with well-selected, qualified franchisees to open certain franchise stores in lower-tier cities, or in exceptional locations to which the franchisee has unique access, to supplement our geographic expansion.

Within each city, we identify and select promising locations using a variety of intelligence tools and our sophisticated network planning process. Before we approve a location for development, we review that location’s demographics, site access, visibility, traffic count, residential/retail/commercial mix, competitive activity and rental market. We also assess the performance of nearby Tim Hortons locations, and project the location’s ability to meet financial return targets which ultimately drive our decision making.

### Store Operations

Operationally, we aim to deliver best-in-class friendliness, cleanliness, speed of service, product quality and overall guest satisfaction. We measure ourselves to consistent operating standards and key performance indicators. Our stores are required to be operated in accordance with Tim Hortons’s quality assurance, safety and brand standards, as well as standards set by applicable governmental laws and regulations. We also engage third-party mystery shoppers to review store operations on a regular basis.

Food safety is at the core of what we do. We have established real-time systems that allow us to monitor our inventory levels and the quality and food safety of our suppliers. Additionally, we have instituted rigorous food safety control protocols built upon digital inventory management systems and strict global standards, verified by regular audits. We maintain high in-store standards and controls to ensure accurate product execution and adequate inventory levels. The picture below illustrates our restaurant operating system interface.



We also invest in the development and optimization of our recruiting and training systems to support our rapid expansion and to meet high standards of operating efficiency. Our online training solution offers enhanced training features, improved management tools, and robust reporting. Each application offers specialized capabilities that, when put together, enable a comprehensive, state-of-the-art approach to learning and management.

### Our Supply Chain

#### Procurement

We purchase raw materials and consumables in the ordinary course of our operations, which primarily include coffee beans, dairy, bakery and food ingredients, such as bread and protein, and packing materials. We believe that we have built a robust, local supply chain. Pursuant to the A&R MDA, we only purchase goods and services that meet THRI’s standards and are purchased from suppliers and distributors that THRI approves. THRI has a comprehensive supplier approval process, covering suppliers of all food and packaging, which includes on-site food safety inspections of manufacturing processes.

We import roasted coffee beans from THRI’s world-class roasteries. All other inputs are sourced in China, with fresh produce and dairy sourced regionally. To mitigate risks associated with reliance on a single supplier, with the exception of coffee beans, we have developed both primary and secondary suppliers of our main inputs. We believe, based on relationships established with our suppliers, that our current network of suppliers is well suited to continue to supply our needs as we grow.

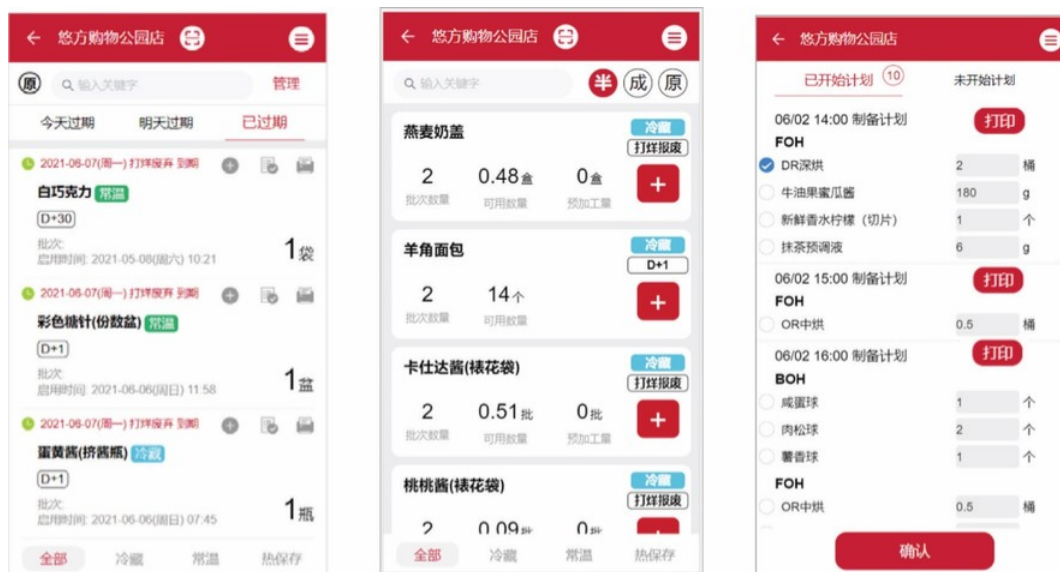


### Warehouse and Fulfillment

We partner with third-party distribution center operators, which have extensive networks and proven track records in China. We submit sales forecasts to them, and they place orders to our certified suppliers and manage inventory at their warehouses. Inventory management is digital, and we are in the process of setting up automatic sales forecasting and ordering for each store. The distribution centers distribute stock to our stores, usually 2 – 3 times per week.

### Food Safety and Quality Control

As discussed above, product quality and food safety are at our core. We have several layers of monitoring analysis and defense to ensure food safety and quality. Every supplier is approved by THRI under the A&R MDA. We work with THRI to conduct routine third-party audits of our stores and also conduct our own quality assurance audits on a regular basis. We use a digital inventory management system and an e-expiry mini app to further implement best practices in food safety. The pictures below illustrate the expiration date management, inventory management and production management functions of these tools.



In addition, we use food safety audit scores as a key performance indicator to measure management performance, and we have a penalty mechanism for stores that fail to meet our standards. To prepare for contingencies, we established a crisis management team and protocols that we believe will allow us to manage food safety incidents in a timely manner. As of the date of this Annual Report, we have not encountered any material customer complaint concerning food safety.

## Digital Technology and Information Systems

We have invested intentionally and intensively in technology to enable us to scale and support our continued expansion. Each and every store is connected to our central information systems at various points (POS, HR, menu boards, security cameras, sales forecasting, inventory ordering and supply chain management, etc.), enabling us to monitor sales and operations across our network in real time. We also have an automated system that sends out business intelligence snapshots to our Board and senior management at the close of each business day. Other digitization initiatives include labor scheduling, office automation, digital marketing and site selection. On December 2, 2021, Tim Hortons China entered into a Business Cooperation Agreement with DataCo, pursuant to which:

- Tim Hortons China assigned, conveyed and transferred, and caused its affiliates to assign, convey and transfer, to DataCo all rights, title and interests in and to (a) all personal data of customers in mainland China that is used, or held for use, in the operation of the loyalty program, (b) all intellectual property in and to such data, (c) all tangible embodiments of such data in any form and in any media and all records and documentation relating thereto, (d) copies of any of the foregoing, and (e) all other aggregated, processed or other data arising from DataCo’s performance of the services under the Agreement and all intellectual property therein (collectively, “TH China Data”), which was completed in February 2022;
- DataCo provides Tim Hortons China with various data maintenance and management services, technical support and consulting services (collectively, the “Services”) in support of the operation of the loyalty program;
- In consideration for the Services, Tim Hortons China pays a service fee to DataCo on an annual basis (or at any time agreed by the parties), which shall be reasonably determined by DataCo based on (i) the complexity and difficulty of the Services, (ii) the seniority of and time consumed by the employees of DataCo providing the Services; (iii) the specific contents, scope and value of the Services; and (iv) the market price for services similar to the Services; and
- DataCo granted to Tim Hortons China a non-exclusive, non-assignable, generally non-sublicensable, fully paid-up and royalty-free license to access, use, reproduce, modify and prepare derivative works based upon TH China Data, solely on an aggregated or de-identified basis and solely for purposes of the operation of the loyalty program in mainland China.

## Sales and Marketing

Our marketing and promotional activities are customer-centric, highlighting our differentiated value proposition, quality products, diverse menu choices, convenience and warm customer service. Leveraging our digital capabilities and strategic collaborations, we engage in omni-channel, online and offline, integrated marketing initiatives using social media, search engine optimization and themed events. For example, we initiated a “tastes of summer” marketing campaign on Douyin, China’s leading destination for short-form mobile videos, in July 2022, during which we hosted a special livestream event on Douyin with our brand ambassador and CEO, spotlighting our freshly brewed coffee and delicious bakery offerings. Tims China- themed pages and search tags on Douyin garnered nearly 400 million online visits during the campaign and we registered sales of over RMB20 million on Douyin in just 30 days. We have also established strategic collaboration with Easy Joy and Freshippo to promote in-store sales through their sales networks.

In addition to in-store sales, we also utilize mobile ordering to streamline customer experience and delivery to increase reach and efficiency. In 2021, in-store sales, mobile ordering for self pick-up and delivery accounted for approximately 27.0%, 34.1% and 38.9% of our revenues from company owned and operated stores, respectively. In 2022, in-store sales, mobile ordering for self pick-up and delivery accounted for approximately 21.0%, 31.8% and 47.2% of our revenues from company owned and operated stores, respectively. In addition, starting in 2021, we have collaborated with leading e-commerce platforms in China, such as Tmall and Tiktok, to sell our products directly to customers. During the COVID-19 lock-downs in certain cities, we have also adopted localized group buying marketing strategies that are focused on driving awareness and demand, which have enabled us to further expand our customer base. As of the date of this Annual Report, COVID-related lock-downs in China have been lifted.

We offer attractive offers through our loyalty program to incentivize enhanced frequency and loyalty. For new city openings, we also invite local key opinion leaders to visit our stores and endorse us on social media. We continue to build our community, which is a valuable source of marketing through word-of-mouth and digital posts.



Within our community, we segment our members by purchase history and provide incentives, by tier, to encourage additional purchases. For members with repeat purchase records during the past three months, we generally offer them (i) promotions to highlight new products, (ii) group discounts and limited time discounts and (iii) digital gift cards for them to introduce Tims to prospective customers. For members without repeat purchase records during the past three months, we generally use three programs to engage their interest: (i) exclusive offers to encourage return visits; (ii) membership upgrade or downgrade reminders; and (iii) discount reminders. The pictures below illustration some of these promotions.



All of our efforts aim to enhance our brand awareness, strengthen our emotional connection with customers, and ultimately drive sales and profit.

**Intellectual Property**

We rely on a combination of trademark, domain name and trade secret laws in mainland China, as well as confidentiality procedures and contractual provisions, to protect the intellectual property rights critical to our success. Under the terms of the A&R MDA, we have the exclusive right to use, among other things, a series of Tim Hortons’s trademarks within mainland China, Hong Kong and Macau, and are required to assist THRI with protecting its intellectual property rights in the territories in which we operate. In addition, an alternative logo with the name “Tims” on a prominent maple leaf is in the process of being registered in the name of a subsidiary of RBI, and Tims China has permission to use such alternative logo in accordance with the various franchise agreements.

## **Competition**

We face intense competition in China's coffee shop industry and food and beverage sector in general. Our competitors include both new and well-established quick service restaurants and coffee chains, independent local coffee shop operators, convenience stores and grocery stores. Our main competitors include Starbucks, Costa Coffee, Peets, Luckin Coffee, Greybox Coffee, Pacific Coffee and McCafe. Delivery aggregators and other food delivery services also provide consumers with convenient access to a broad range of competing restaurant chains and food retailers.

We compete on the basis of product choice, quality, value for money, service and location. In particular, we seek to offer high-quality coffee products at a very attractive price through a differentiated pricing strategy. For example, our list price for Americano (16oz) and Latte (16oz), two very popular coffee products in China, is generally below the list price of Greybox, Peets, Starbucks, Costa Coffee, Pacific Coffee and Luckin Coffee and above the list price of McCafe. We believe that there is significant demand and opportunity in our market space. We believe that we are well-positioned to compete effectively with existing and new competitors on the basis of these factors. However, our competitors may have longer operating histories, greater brand recognition, more capital, better supplier relationships and larger customer bases. For discussion of risks relating to our competitors, see "Item 3. Key Information—D. Risk Factors — Risks Related to THIL's Business and Industry — We face intense competition in China's coffee industry and food and beverage sector. Failure to compete effectively could lower our revenues, margins and market share."

## **Insurance**

We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees in compliance with applicable PRC laws. We maintain business interruption insurance at the store level.

## **Regulatory Matters**

Substantially all of THIL's revenue is derived from the operations of its PRC Subsidiaries in mainland China. THIL and its PRC Subsidiaries are subject to PRC laws relating to, among others, restrictions over foreign investments and data security. The PRC government has been seeking to exert more control and impose more restrictions on companies based in mainland China raising capital offshore and such efforts may continue or intensify in the future. The PRC government's exertion of more control over offerings conducted overseas and/or foreign investment in issuers based in mainland China could result in a material change in the operations of THIL's PRC Subsidiaries, significantly limit or completely hinder THIL's ability to offer or continue to offer securities to investors, and cause the value of THIL's securities to significantly decline or be worthless. Based on the opinion of THIL's PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, THIL believes that the issuance of THIL's securities to foreign investors does not require permission or approval from any PRC governmental authority. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions, there is no assurance that such approval or permission will not be required under existing PRC laws, regulations or policies if the relevant PRC governmental authorities take a contrary position or adopt new interpretations, or under any new laws or regulations that may be promulgated in the future. Below is a summary of potential PRC laws and regulations that, in the opinion of Han Kun Law Offices according to its interpretation of the currently in-effect PRC laws and regulations, could be interpreted by the in-charge PRC government authorities, namely, the CSRC, the CAC and their enforcement agencies, to require THIL to obtain permission or approval or complete certain filing procedures in order to issue securities to foreign investors. Based on the experience of THIL's management team, THIL does not believe that any permission or approval is required under any laws or regulations of the HKSAR for it to issue securities to non-PRC investors or for any of its PRC Subsidiaries to conduct their business operations in mainland China. However, there is no assurance that such approval or permission will not be required under HKSAR laws, regulations or policies if the relevant HKSAR governmental authorities take a contrary position, nor can THIL predict whether or how long it will take to obtain such approval.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors adopted by six PRC regulatory agencies, including the Ministry of Commerce of the PRC (the “MOFCOM”), the State-Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, currently known as the PRC State Administration for Market Regulation (the “SAMR”), the CSRC, and the SAFE in 2006 and amended in 2009, as well as some other regulations and rules concerning mergers and acquisitions (collectively, the “M&A Rules”) include provisions that purport to require that an offshore special purpose vehicle that is controlled by PRC domestic companies or individuals and that has been formed for the purpose of an overseas listing of securities through acquisitions of PRC domestic companies or assets to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. On September 21, 2006, the CSRC published its approval procedures for overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. While the application of the M&A Rules remains unclear, THIL believes, based on the advice of its PRC legal counsel and its understanding of the current PRC laws and regulations, that the CSRC approval is not required. However, there can be no assurance that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as THIL’s PRC legal counsel.

On February 17, 2023, the CSRC promulgated the New Filing Rules, which became effective on March 31, 2023. Under the New Filing Rules, an overseas-listed issuer may be subject to filing or report obligations. Failure to comply with the filing requirements or any other requirements under the New Filing Rules could result in warnings, a fine ranging from RMB1 million to RMB10 million, suspension of certain business operations, orders of rectification and revocation of business license and operation permits, and our controlling shareholders, actual controllers, any person who is directly in charge and other directly liable persons could also be subject to administrative penalties, such as warnings and fines. If THIL fails to receive or maintain any requisite permission or approval from or complete the required filing procedure with the CSRC for any future offerings, or the waiver for such permission, approval or filing requirement, in a timely manner, or at all, or inadvertently concludes that such permission, approval or filing is not required, or if applicable laws, regulations or interpretations change and obligate it to obtain such permission or approvals in the future, THIL or its PRC Subsidiaries may be subject to fines and penalties (the details of which are unknown at this point), limitations on its business activities in mainland China, delay or restrictions on the contribution of the proceeds from THIL’s offerings of its listed securities into the PRC, or other sanctions that could have a material adverse effect on its business, financial condition, results of operations, reputation and prospects. The CSRC may also take actions requiring THIL, or making it advisable for THIL, to halt future offerings of THIL’s securities to foreign investors. For a more detailed analysis, see “Item 3. Key Information—D. Risk Factors — Risks Related to Doing Business in China — The approval and/or other requirements of Chinese governmental authorities may be required in connection with our future issuance of securities to foreign investors under PRC laws, regulations or policies.”

Furthermore, in April 2020, the PRC government promulgated the Cybersecurity Review Measures (the “2020 Cybersecurity Review Measures”), which came into effect on June 1, 2020. On November 14, 2021, the CAC released the draft Administrative Regulation on Network Data Security for public comments through December 13, 2021 (the “Draft Administrative Regulation”). Under the Draft Administrative Regulation, (i) data processors (i.e., individuals and organizations who can decide on the purpose and method of their data processing activities at their own discretion) that process personal information of more than one million individuals shall apply for cybersecurity review before listing in a foreign country; (ii) foreign-listed data processors shall carry out annual data security evaluation and submit the evaluation report to the municipal cyberspace administration authority; and (iii) where a data processor undergoes merger, reorganization and subdivision that involves important data and personal information of more than one million individuals, the recipient of the data shall report the transaction to the in-charge authority at the municipal level. On December 28, 2021, the PRC government promulgated amended Cybersecurity Review Measures (the “2022 Cybersecurity Review Measures”), which came into effect and replaced the 2020 Cybersecurity Review Measures on February 15, 2022. According to the 2022 Cybersecurity Review Measures, (i) critical information infrastructure operators that purchase network products and services and internet platform operators that conduct data processing activities shall be subject to cybersecurity review in accordance with the 2022 Cybersecurity Review Measures if such activities affect or may affect national security; and (ii) internet platform operators holding personal information of more than one million users and seeking to have their securities list on a stock exchange in a foreign country shall file for cybersecurity review with the Cybersecurity Review Office. Based on the opinion of THIL’s PRC counsel, Han Kun Law Offices, according to its interpretation of the currently in-effect PRC laws and regulations, THIL believes that neither THIL nor any of its PRC Subsidiaries is subject to cybersecurity review, reporting or other permission requirements by the CAC under the applicable PRC cybersecurity laws and regulations with respect to any offering of its securities or the business operations of its PRC Subsidiaries, because neither THIL nor any of its PRC Subsidiaries qualifies as a critical information infrastructure operator or has conducted any data processing activities that affect or may affect national security or holds personal information of more than one million users. However, as PRC governmental authorities have significant discretion in interpreting and implementing statutory provisions and there remains significant uncertainty in the interpretation and enforcement of relevant PRC cybersecurity laws and regulations, there is no assurance that THIL or any of its PRC Subsidiaries will not be deemed to be subject to PRC cybersecurity review or that THIL or any of its PRC Subsidiaries will be able to pass such review. If THIL or any of its PRC Subsidiaries fails to receive any requisite permission or approval from the CAC for its business operations, or the waiver for such permission or approval, in a timely manner, or at all, or inadvertently concludes that such permission or approval is not required, or if applicable laws, regulations or interpretations change and obligate it to obtain such permission or approvals in the future, THIL or its PRC Subsidiaries may be subject to fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against THIL or its PRC Subsidiaries, which may have a material adverse effect on its business, financial condition or results of operations. In addition, THIL and its PRC Subsidiaries could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future pursuant to new laws, regulations or policies. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with applicable laws and regulations may result in fines, suspension of business, website closure, revocation of business licenses or other penalties, as well as reputational damage or legal proceedings or actions against THIL or its PRC Subsidiaries, which may have a material adverse effect on their business, financial condition or results of operations. For a more detailed analysis, see “Item 3. Key Information—D. Risk Factors — Risks Related to THIL’s Business and Industry — We and our PRC Subsidiaries are subject to a variety of laws and regulations regarding cybersecurity and data protection, and any failure to comply with applicable laws and regulations could have a material adverse effect on our business, financial condition and results of operations.”

In addition, with respect to their business operations, THIL’s PRC Subsidiaries are required to maintain various approvals, licenses and permits to operate the company owned and operated stores and engage in commercial franchising activities in accordance with relevant PRC laws and regulations. In the opinion of Han Kun Law Offices according to its interpretation of the currently in-effect PRC laws and regulations, THIL’s PRC Subsidiaries are required to obtain and maintain the following approvals, licenses and permits for the operation of THIL’s company owned and operated stores: (i) business licenses issued by the local SAMR, (ii) food operation licenses issued by the competent food safety supervision and administration department, and (iii) for some stores, fire safety inspection permits from the local fire department. These approvals, licenses and permits can be obtained upon satisfactory compliance with, among other things, the applicable laws and regulations. Any PRC Subsidiary that is engaged in commercial franchising is required to (i) register as a commercial franchisor with the commerce department of the local government within fifteen days after entering into a franchise agreement with a franchisee located in mainland China for the first time; (ii) file with the in-charge authority information regarding franchise agreements entered into, withdrawn, renewed or amended each year by March 31 of the following year; and (iii) report any changes to its previously filed registration information and information on its operational resources and the geographical distribution of its franchisees’ stores in mainland China within 30 calendar days following such change.

As of December 31, 2022, seven out of the 547 company owned and operated stores operated by THIL's PRC Subsidiaries, seven stores had not obtained the requisite business licenses or the requisite food operation licenses, which stores represented less than 1% of THIL's total revenues for year ended December 31, 2022. Local governments have significant discretion in promulgating, interpreting and implementing fire safety rules and policies. As a result, there is no assurance that the fire safety inspection permit will not be required for certain company owned and operated stores that THIL believes, based on evaluations conducted by external fire safety specialists, are not required to obtain a fire safety inspection permit under existing PRC laws, regulations or policies if relevant PRC governmental authorities take a contrary position or adopt new interpretations, or under any new laws or regulations that may be promulgated in the future. Based on evaluations conducted by fire safety specialists engaged by THIL, four of THIL's company owned and operated stores have not obtained those fire safety inspection permits that THIL believes are required under the applicable laws and regulations. THIL's PRC Subsidiaries are still in the process of applying for these outstanding licenses and permits, and how soon these licenses and permits can be obtained is subject to regulatory approvals and certain other factors that are beyond their control. Failure to obtain the necessary licenses, permits and approvals could subject THIL's PRC Subsidiaries to fines, confiscation of gains derived from the stores, or the suspension of operations of the stores. Specifically, (i) for stores without a business license, the in-charge government authorities may order such stores to rectify the non-compliance and impose a fine of up to RMB500,000 for each store; (ii) for stores without a food operation license, the in-charge government authorities may confiscate the income of such stores and their food, beverage and packaged products, raw materials and equipment and impose fines based on a multiple of the value of the food, beverage and packaged products of such store; and (iii) for stores that operate without the requisite fire safety inspection permit, the in-charge government authorities may order such stores to rectify the non-compliance, suspend their operations and impose a fine ranging from RMB30,000 to RMB300,000 for each store. Except for the outstanding licenses and permits mentioned above, none of THIL's PRC Subsidiaries have been denied or are missing any of such approvals, licenses and permits for the company owned and operated stores that they operate, nor have they been subject to any fines or penalties with respect to the lack of such approvals, licenses and permits.

Tim Hortons China, the only PRC Subsidiary of THIL that is, or has been, engaged in commercial franchising, has received the requisite governmental approval to be registered as a commercial franchisor and has fulfilled its annual and ongoing reporting obligations as of the date of this Annual Report. In general, if a commercial franchisor fails to comply with the annual filing requirement by the filing deadline, it could be ordered by the in-charge authority to rectify the non-compliance and be subject to a fine ranging from RMB10,000 to RMB50,000.

THHK, a wholly-owned subsidiary of THIL incorporated under the laws of the HKSAR, does not currently have any business operations. THHK holds the requisite business license and has not been required by the HKSAR government to hold any other license, permit or approval under the laws and regulations of the HKSAR. Based on the experience of its management team, THIL does not believe that THHK is required to obtain such license, permit or approval. However, there is no assurance that the relevant HKSAR governmental authorities will not take a contrary position or that THHK can obtain such license, permit or approval, if required. If THHK fails to obtain such license, permit or approval in a timely manner, or at all, THIL's business and results of operations could be materially and adversely affected. For a more detailed analysis, see "Item 3. Key Information—D. Risk Factors — Risks Related to Doing Business in China — Any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business, financial condition and results of operations."

THIL and its PRC Subsidiaries are also subject to various restrictions on intercompany fund transfers and foreign exchange control under current PRC laws and regulations and could be subject to additional, more onerous restrictions under new PRC laws and regulations that may come into effect in the future. Due to the existing and/or potential interventions in or the imposition of restrictions and limitations detailed below by the PRC government on the ability of THIL or its PRC Subsidiaries to transfer cash and/or non-cash assets based on existing or new PRC laws and regulations, cash and/or non-cash assets located in mainland China or held by its PRC Subsidiaries, such as Tim Hortons China and Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd., may not be available to fund THIL's foreign currency needs or any foreign operations that THIL may have in the future or for other uses outside of mainland China, and THIL may not be able to effectively utilize the proceeds from the offerings of its listed securities to fund the operations or liquidity needs of its PRC Subsidiaries.

**Dividends.** Dividends from its subsidiaries is an important source of financing for THIL. Restrictions on THIL's PRC Subsidiaries' ability to pay dividends to an offshore entity primarily include: (i) the PRC Subsidiaries may pay dividends only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with PRC accounting standards and regulations; (ii) each of the PRC Subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital; (iii) the PRC Subsidiaries are required to complete certain procedural requirements related to foreign exchange control in order to make dividend payments in foreign currencies; and (iv) a withholding tax, at the rate of 10% or lower, is payable by the PRC Subsidiary upon dividend remittance. Such restrictions under current PRC laws and regulations, or any new restrictions that could be imposed by new PRC laws and regulations that may come into effect in the future, could have a material and adverse effect on THIL's ability to distribute profits to its shareholders. As of the date of this Annual Report, neither THIL nor any of its subsidiaries has made any dividends or distributions to its parent company or any U.S. investor. THIL is not subject to any restrictions under Cayman Islands law on dividend distribution to its shareholders and currently intends to distribute cash dividends after it becomes profitable. Any determination to pay dividends in the future will be at the discretion of the Board. See "Item 8. Financial Information—Dividend Policy."

Subject to the passive foreign investment company rules discussed in detail under "Item 10. Additional Information—E. Taxation—Passive Foreign Investment Company", the gross amount of any distribution that we make to investors with respect to our ordinary shares (including any amounts withheld to reflect PRC or other withholding taxes) will be taxable as a dividend, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Furthermore, if we are considered a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. For further discussion on PRC and United States federal income tax considerations of an investment in THIL's ordinary shares, see "Item 10. Additional Information—E. Taxation."

**Capital expenses.** Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of mainland China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. As a result, THIL's PRC Subsidiaries are required to obtain approval from the State Administration of Foreign Exchange (the "SAFE") or complete certain registration process in order to use cash generated from their operations to pay off their respective debt in a currency other than Renminbi owed to entities outside mainland China, or to make other capital expenditure payments outside mainland China in a currency other than Renminbi. As of the date of this Annual Report, there has been no transfer of capital expenses among THIL and its subsidiaries.

**Shareholder loans and capital contributions.** THIL's subsidiaries may only access THIL's proceeds from the offerings of its listed securities through loans or capital contributions from THIL. Loans by THIL to its PRC Subsidiaries to finance their operations shall not exceed certain statutory limits and must be registered with the local counterpart of the SAFE, and any capital contribution from THIL to its PRC Subsidiaries is required to be registered with the competent PRC governmental authorities. As of the date of this Annual Report, THIL has transferred an aggregate of US\$245.7 million in cash to TH Hong Kong International Limited ("THHK") as capital injections and shareholder loans, and THHK has transferred an aggregate of US\$175.5 million in cash to Tim Hortons China and US\$25 million in cash to Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd. as capital injections and shareholder loans. See page F-13 of this Annual Report for additional information on the amount of cash balances held at financial institutions in mainland China and Hong Kong as of December 31, 2021 and 2022, respectively.

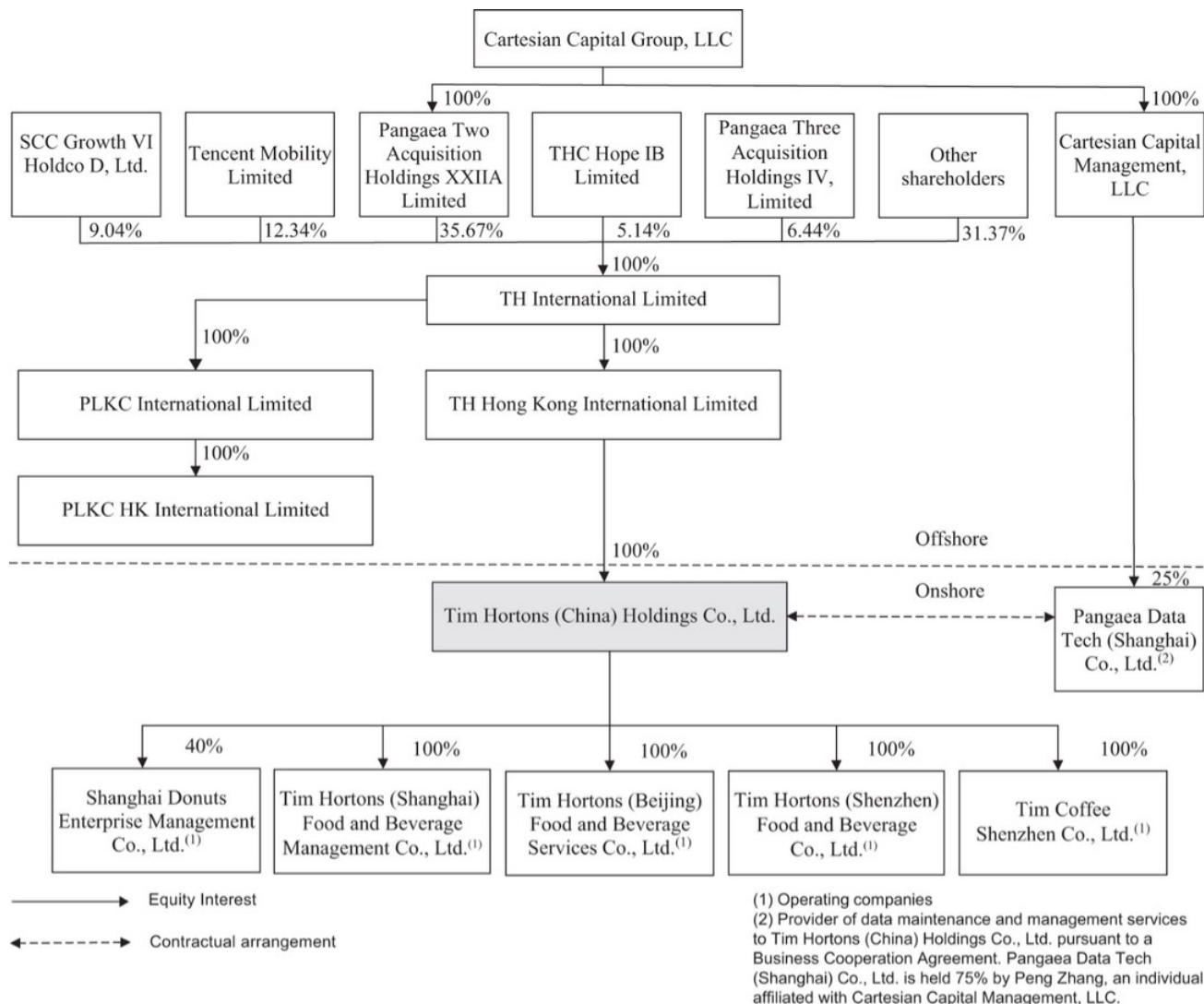
Based on the experience of its management team, THIL does not believe that remittance of cash and/or non-cash assets from Hong Kong, including cash and/or non-cash assets held by THHK, an intermediary holding company with no current business operations, is subject to the aforementioned interventions, restrictions and limitations by the PRC government or similar interventions, restrictions or limitations from the government of the HKSAR, nor does THIL believe such interventions, restrictions and limitations will be imposed on THHK or any future Hong Kong subsidiary that THIL may have in the foreseeable future. To the extent that THIL's cash and/or non-cash assets in Hong Kong or any cash and/or non-cash assets held by its Hong Kong Subsidiaries are subject to the aforementioned interventions, restrictions and limitations by the PRC government or the government of the HKSAR, then, as a result of such interventions, restrictions and limitations, such cash/assets may not be available to pay dividends to THIL, to fund the operations of THIL's subsidiaries outside Hong Kong or to be used outside of Hong Kong for other purposes. THIL does not currently have any cash management policy that dictates show funds shall be transferred between THIL and its subsidiaries, including its PRC Subsidiaries, THHK and any other non-PRC subsidiaries that it may have in the future, or among its subsidiaries.



**C Organizational Structure**

THIL is a Cayman Islands holding company that was incorporated in April 2018 and conducts its operations in mainland China through wholly owned subsidiaries and does not directly own any substantive business operations in mainland China. Therefore, investors in THIL will not directly hold any equity interests in its operating companies. This holding company structure involves unique risks to investors. For example, PRC regulatory authorities could disallow this operating structure and limit or hinder THIL’s ability to conduct its business through, receive dividends from or transfer funds to its operating subsidiaries or list on a U.S. or other foreign exchange, which could cause the value of THIL’s securities to significantly decline or become worthless. See “Item 3. Key Information —D. Risk Factors — Risks Related to Doing Business in China” for more details.

The following diagram illustrates THIL’s corporate structure as of the date of this Annual Report.



## **D Property, Plants and Equipment**

We lease the property for our corporate headquarters and all of the premises on which our PRC Subsidiaries operate. We lease properties generally for initial terms of more than five years. We believe that these facilities are generally adequate to meet our current needs, although we expect to seek additional space as needed to accommodate future growth.

### **ITEM 4A UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **A Operating Results**

#### **Key Factors Affecting Our Results of Operations**

Our business and results of operations are affected by a number of general factors in China, including:

- China’s overall economic growth, level of urbanization and level of per capita disposable income;
- The spread and severity of COVID-19 variants in China and the government’s responses thereto;
- Growth in consumer expenditure, especially the expenditure on food and beverage;
- Consumers’ demand for coffee, especially for freshly-brewed coffee; and
- Increasing usage of mobile internet and increasing adoption of mobile payment.

In addition, our performance and future success also depend on several specific factors that present significant opportunities but also pose risks and challenges, including those discussed below and in the section titled “Item 3. Key Information—D. Risk Factors.”

#### *The Expansion of Our Store Network*

The scale of our store network significantly affects our revenue growth and operating efficiency. We started operating our store network in 2019 and have since rapidly expanded this network across mainland China with extensive coverage over major Chinese cities, as shown in the table below.

<b>Year</b>	<b>Company-owned and operated Stores</b>	<b>Franchise Stores</b>	<b>Total</b>
2019	31	3	34
2020	128	9	137
2021	373	17	390
2022	547	70	617

As we continue to grow our store network in China while maintaining high food and beverage quality standards, we seek to leverage our increasing scale to improve our bargaining power over suppliers and landlords, which we believe will further lower our costs and expenses as a percentage of our revenues. In order to reduce liquidity risks and risks related to our ability to continue as a going concern, we have evaluated plans to slow down the pace of our store network expansion, which, if implemented, could adversely affect the growth of our revenue and customer base. We believe our expanding presence in the market will also enhance our brand image, which we believe will help attract more customers, expand our loyalty program, reduce our costs of attracting customers and in turn increase sales.

### *Customer Demand for Quality Coffee and Related Products*

Our results of operations have been and will continue to be influenced by consumer spending on coffee and related products, especially for freshly-brewed coffee, which is largely affected by the continuous improvements in living standards and cultivation of coffee consumption behavior in China. As a result of strong economic growth, China has experienced a significant increase in per capita disposable income, which drives the significant growth in China's coffee market. We have in the past benefitted from the robust growth of our industry, and we believe that the macro-economy in China and its growth will continue to significantly drive the growth of the coffee market as well as our business. In addition, with per capita consumption of coffee in China forecast to continue rising towards consumption levels in Western and other Asian markets, we believe that we are well positioned to capture this growth. However, the growth of the Chinese economy and the Chinese coffee market may slow down in the future due to factors beyond our control.

Customer demand is also affected by a number of other factors, including product quality, safety, product innovation and customer experience. As a leading coffee brand in China, we believe that our strong brand values, popular and high-quality products, proven track record, competitive pricing, and ability to innovate and adapt to changing customer preferences position us well to grow in China's rapidly expanding freshly-brewed coffee market.

### *Our Ability to Grow Our Customer Base and Drive Customer Engagement*

Our revenue growth depends largely on our ability to grow our customer base and drive customer engagement, including through our loyalty program. We focus on promoting our Tim Hortons brand, showcasing our signature products while constantly innovating our menu, and offering an enjoyable customer experience in our stores.

### *Efficient Store Operations*

We have historically focused on driving high revenue growth. Costs and expenses of our company owned and operated stores primarily consist of food and packaging, payroll and employee benefits, occupancy, and other operating expenses. Going forward, as we work to continue to rapidly expand our store network, our profitability will largely depend on our ability to effectively control these expenses by implementing various measures such as leveraging our scale to negotiate more favorable supply and occupancy terms, increasing our in-store staff's efficiency, and implementing technology to further automate and streamline our in-store operations. In the long run, we expect our store level operating costs as a percentage of our revenues will gradually decrease.

### *Seasonality*

We experience seasonality in our business, primarily as a result of order fluctuations in holiday seasons. For example, we generally experience fewer purchase orders during Chinese New Year holidays, which fall between late January and late February. The decrease of sales during Chinese New Year holidays is a typical pattern in the Chinese coffee market.

### **Impact of COVID-19**

We have demonstrated our resilience and agility throughout the COVID-19 pandemic, but serious challenges endure. The COVID-19 pandemic has adversely affected our store operations and the sales of affected stores from 2020 to early 2023, primarily as a result of temporary store closures, reduced operating hours and decreased customer traffic.

In late January and February 2020, our total sales dropped by approximately 20% – 30% compared to pre-COVID levels. Our total sales began to gradually recover in March 2020, almost reaching pre-COVID levels by the end of June 2020. During the first half of 2020, home delivery of our products was very strong, which offset the impact from COVID-19. In late 2020, our dine-in business was again negatively affected for a brief period due to a moderate resurgence of COVID-19 cases. From March to December 2022, the outbreak of the Omicron variant of COVID-19 and the zero-COVID measures, such as lengthy city-wide lock-downs, undertaken in certain cities in which our PRC Subsidiaries operate (including Shanghai, where we have the highest number of stores) caused significant disruptions to our operations in these cities, such as temporary closure of certain stores as a result of the lock-downs imposed in these cities, restrictions on delivery services in locked-down areas, shortage of production, service and delivery staff, slower pace of store network expansion, and volatility in the supply and price of raw materials and intermediary products. During this period, we continued to offer home-delivery services through group buying and e-commerce sales to the extent permitted, which mitigated the impact of the disruptions to some extent and enabled us to further expand our customer base. In the third quarter of 2022, the number of home-delivery orders fulfilled increased by 111.1% from the third quarter of 2021. In addition, the COVID-19 pandemic has had an adverse impact on the global and local supply chain. For a more detailed discussion, see “— Inflation and Supply Chain Impacts.” In the fourth quarter of 2022, many cities across China experienced peaks in infection rates, and we had approximately 48 daily temporary store closures on average, over twice as many compared to approximately 23 daily temporary store closures on average in the third quarter of 2022. To cope with and to adapt to the challenges from the pandemic, we continued to focus on our digital capabilities in order to capture the growing demand from delivery and takeaway services. As a result, the number of delivery and takeaway orders increased by 47.3% from the fourth quarter of 2021 to the fourth quarter of 2022.

Despite the challenges posed by COVID-19, its disruptive impact on other retail groups also provided an opportunity to access many attractive sites and expand rapidly. Overall, we believe that the impact of COVID-19 on our business is manageable, especially following the end of ‘zero-COVID control measures’ by the PRC government authorities in December 2022. The revenues of our company owned and operated stores have continued to grow on a year-over-year basis from 2020 to early 2023, and the same-store sales growth of our company owned and operated stores was 7.4%, 15.7% and (0.1%) in 2020, 2021 and 2022, respectively. In the first quarter of 2023, the same-store sales growth of our company owned and operated stores was 8.0%, and the rate was (12.4%), 17.1% and 19.4% in January, February and March 2023, respectively. The rate of our same-store sales growth may continue to be adversely impacted by the COVID-19 pandemic and related public health measures, and we cannot anticipate with certainty the severity of such impact.

### **Inflation and Supply Chain Impacts**

In addition to the COVID-19 pandemic and related control measures, rising inflation, geopolitical conflicts, including the war in Ukraine, and the related supply chain disruptions have also had a direct or indirect impact on our business, customer base, results of operations, profit margins and outlook.

Increases in the inflation rate of prices of commodities that are inputs to our products and services, such as agricultural and energy commodities, have led to higher raw material, fuel, freight, warehousing and labor costs and operating expenses. The unit purchase prices of our regionally sourced raw materials and other products, such as dairy, bakery and food ingredients and packing materials, have remained relatively stable, while the unit price of our coffee beans has continued to increase since our inception and was approximately 56.4% higher in December 2022 than December 2021. We have also enjoyed favorable discounts as our store network and procurement volume continue to grow. We anticipate that the average unit price of imported coffee beans will continue to increase in the foreseeable future and that continued inflationary pressure will continue to pressure our margins. Increased inflation rates could also cause discretionary purchases to decline and adversely affect our ability to attract and retain customers and encourage customer spending. In addition, if the disposable income of our customers does not increase at a similar rate as inflation does, our product sales could suffer, which could materially and adversely affect our business and financial condition and cause us to have additional working capital needs. However, we cannot predict whether or how long these higher inflation rates will persist. For a more detailed disclosure on the related risks, see “Item 3. Key Information—D. Risk Factors — Risks Related to THIL’s Business and Industry — We face risks related to fluctuations in the cost, availability and quality of our raw materials and pre-made products, as well as third-party data maintenance and management services, technical support and consulting services, which could adversely affect our results of operations” and “Item 3. Key Information—D. Risk Factors — Risks Related to Doing Business in China — Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.”

In addition, although we do not have any operations outside of mainland China nor any business relationships, connections to, or assets in, Russia, Belarus or Ukraine, our business, financial condition and results of operations have been, and could continue to be, indirectly and adversely affected by the ongoing military conflict between Russia and Ukraine. Such impact arises from: (i) volatility in the global supply of wheat, corn, barley, sunflower oil and other agricultural commodities; (ii) higher food prices due to supply constraints and the general inflationary impact of the war; (iii) increases in energy prices globally, in particular for electricity and fossil fuels such as crude oil and natural gas, and related transportation, freight and warehousing costs; and (iv) disruptions to logistics and supply chains. See “Item 3. Key Information—D. Risk Factors — Risks Related to THIL’s Business and Industry — We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.”

The impact on our supply chains from rising inflation and geopolitical tensions primarily consists of: higher purchase prices and fuel, freight and warehousing costs for both imported and regionally sourced raw materials and other products, (ii) delays in the manufacturing, processing and transportation of raw materials and other products; and (iii) logistics and operational disruptions. In addition, the COVID-19 pandemic has had an adverse impact on the global and local supply chain. Specifically, (i) the COVID-19 pandemic has resulted in disruptions to the operations of the supplier of our coffee beans, all of which are imported from the United States, and delays in the transportation of coffee beans from the United States to China; and (ii) measures taken by the PRC government to contain the spread of COVID-19, such as lock-downs and travel restrictions, have caused temporary supply shortages or unstable supplies of certain raw materials and other products, longer lead times, and increased transportation, freight and warehousing costs during the implementation of these measures. As many of our coffee condiments and pre-made products have a relatively short shelf life, the lack of availability of these products that meet our or THRI’s quality standards or timing requirements could have a material adverse impact on our business, financial condition and results of operations. The magnitude of such impact is difficult to predict. Future interruptions or friction in our supply chains, as well as anticipation of interruptions or friction, may cause us to be unable to meet customer demand, retain extra inventory and make operational plans with less precision. Each of these impacts, if we are affected more than our competitors, could materially and adversely affect our business, adversely impact our prices and/or margins, and cause us to have additional working capital needs.

The increases in our costs and expenses described above have been mitigated to some extent by our growing economies of scale and operating efficiency as we continue to expand our store network and grow our business. As a result of favorable discounts granted in connection with bulk purchases of regionally sourced food ingredients and pre-made products, the profit margins for our food products have remained relatively stable.

Towards the goal of further mitigating the pressure on our overall cost structure as a result of price inflation, geopolitical tensions and additional costs and expenses associated with supply chain disruptions, since January 2022, we have raised the list price of our beverage products, including coffees, by RMB1 to RMB2 per cup (or approximately 5 – 8% of the list price) and reduced the rate of our promotional discounts by 3 – 5%. As a result of these mitigation efforts, our profit margins for these beverage products also have remained relatively stable. However, if the costs and expenses described above continue to increase, there can be no assurance that we can continue to increase prices to maintain our margins. Lower margins could adversely impact the profitability of our business and adversely impact our share price and prospects. If the amounts we charge our customers increase at a rate that is either unaffordable to our customers or insufficient to compensate for the rise in our material costs and operational expenses, our business may be materially and adversely affected, our product margin may deteriorate and we may have additional working capital needs. We do not believe that such mitigation efforts have introduced any other new material risks, including, but not limited to, those related to product quality or reliability or regulatory approval. For a more detailed discussion of the related risks, see “Item 3. Key Information—D. Risk Factors — Risks Related to THIL’s Business and Industry — If we are unable to maintain or increase prices, we may fail to maintain a positive margin.” In order to mitigate the potential adverse impact of price increases on our financial condition and results of operations, we plan to continue to improve our operating efficiency and further strengthen our bargaining power with our suppliers through the continued expansion of our store network.

## **The Business Combination**

On September 28, 2022 (the “Closing Date”), we consummated the Business Combination with Silver Crest. Following the consummation of the Business Combination, our ordinary shares and warrants began trading on Nasdaq, and we are required to develop the functions and resources necessary to operate as a public company, including employee-related costs and equity compensation, which may result in increased operating expenses.

## **Recent Developments**

On March 30, 2023, we entered into a share purchase agreement (the “Share Purchase Agreement”) with Pangaea Three Acquisition Holdings IV, Limited (“Holdings IV”), a Cayman Islands exempted company, PLKC International Limited, a Cayman Islands exempted company (“Popeyes China”), and PLK APAC Pte. Ltd., a company organized and existing under the laws of Singapore. The transaction values Popeyes China at an up-front equity value of \$35.1 million. Up-front transaction consideration comprises our newly issued ordinary shares, priced at 85% of the trailing 40-trading-day VWAP (as defined in the Share Purchase Agreement) from the date of announcement of the transaction (February 8, 2023). In addition to the up-front transaction consideration, shareholders of Popeyes China will receive deferred contingent consideration (“DCC”) equal to 3% of the revenue of the Popeyes China business going forward, with a buy-out right exercisable at any time by us for \$35 million. The DCC (including the buy-out payment, if any) will be paid in our newly issued ordinary shares, priced at 85% of the trailing 40-trading-day VWAP from the end of the trailing fiscal year, or in case of a buy-out, from the date of our buy-out election. The transaction was approved by the independent directors of our audit committee and a fairness opinion was obtained from Kroll, LLC, independent financial advisor to the audit committee, that the consideration paid by us in the transaction is fair from a financial point of view to us. The foregoing summary of the Share Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Share Purchase Agreement, a copy of which is filed as Exhibit 4.30 of this Annual Report and is incorporated herein by reference.

Also on March 30, 2023, we entered into an Amended and Restated Master Development Agreement with PLK APAC Pte. Ltd., PLKC HK International Limited and PLKC International Limited (the “Popeyes MDA”), which set forth the procedures, requirements or standards for the operations of Popeyes stores, including food safety, sanitation and workplace safety standards, and other contractual obligations of our company. Pursuant to the Popeyes MDA, we are required to pay an upfront franchise fee for each company owned and operated Popeyes store and franchise Popeyes store, and a continuing franchise fee for each company owned and operated Popeyes store, calculated as certain percentage of the store’s monthly gross sales, depending on when the store is opened. No Popeyes store has been opened as of the date of this Annual Report. The foregoing summary of the Popeyes MDA does not purport to be complete and is qualified in its entirety by reference to the Popeyes MDA, a copy of which is filed as Exhibit 4.31 of this Annual Report .

Founded in New Orleans in 1972, POPEYES® has more than 50 years of history and culinary tradition. Popeyes distinguishes itself with a unique New Orleans style menu featuring spicy chicken, chicken tenders, fried shrimp, and other regional items. The chain’s passion for its Louisiana heritage and flavorful authentic food has allowed Popeyes to become one of the world’s largest chicken quick service restaurants with over 4,100 restaurants in the U.S. and around the world.

## Components of Results of Operations

### Revenues

Revenue mainly includes sales of food, beverage and packaged products by company owned and operated stores, franchise fees and revenue from other franchise support activities. The following table sets forth a breakdown of our revenues for the years indicated:

	For the year ended December 31,						
	2020		2021		2022		
	(in thousands, except for %)						
	RMB	%	RMB	%	RMB	US\$	%
<b>Revenues:</b>							
Sales of food and beverage products by company owned and operated stores	206,036	97.1 %	617,226	95.9 %	938,097	136,011	92.8 %
Franchise fees	795	0.4 %	1,923	0.3 %	4,538	658	0.5 %
Revenues from other franchise support activities	5,254	2.5 %	9,470	1.5 %	18,966	2,749	1.9 %
Revenues from wholesale activities	—	—	—	—	6,533	947	0.6 %
Revenues from e-commerce sales	—	—	13,117	2.0 %	41,635	6,037	4.1 %
Revenues from other activities	—	—	1,208	0.2 %	1,295	188	0.1 %
Provision of consumer research service to THRI	—	—	428	0.1 %	—	—	—
<b>Total Revenues</b>	<b>212,085</b>	<b>100.0 %</b>	<b>643,372</b>	<b>100.0 %</b>	<b>1,011,064</b>	<b>146,590</b>	<b>100.0 %</b>

- **Sales of food, beverage and packaged products by company operated stores.** We generate the vast majority of our revenue from sales of food, beverage and packaged products to customers by company owned and operated stores. The revenue amounts exclude sales-related taxes.
- **Franchise fees.** We earn a fixed upfront franchise fee and subsequent sales-based royalties from franchise right granted to sub-franchisees. Contributions from sub-franchisees for support activities that are integral to the sub-franchisees' ability to benefit from the franchise right, such as marketing and advertising programs to promote the overall brand image, are required as part of the franchisee contracts.
- **Revenues from other franchise support activities.** Other franchise support activities mainly consist of sales of kitchen equipment, raw materials for food, beverage and packaged products and provision of pre-opening and training services to sub-franchisees. We ceased selling kitchen equipment to sub-franchisees in 2020.
- **Revenues from e-commerce sales and wholesale products.** We began generating revenue from sales of packaged coffee, tea beverages and single-serve coffee and tea products to customers through third-party e-commerce platforms in 2021 and revenue from wholesale of canned coffee beverage and packaged coffee extract in 2022
- **Revenue from provision of consumer research service to THRI.** In 2021, we provided assistance to THRI in a joint global consumer behaviors research program and generated revenue from such research services.

### Costs and Expenses, Net

The following table sets forth a breakdown of our total costs and expenses for the years indicated:

	For the year ended December 31,						
	2020		2021		2022		
	(in thousands, except for %)						
	RMB	%	RMB	%	RMB	US\$	%
<b>Costs and expenses, net</b>							
Company owned and operated stores							
Food and packaging	74,402	21.1 %	207,948	20.4 %	314,550	45,606	19.8 %
Store rental expenses	54,719	15.5 %	148,152	14.6 %	236,838	34,338	14.9 %
Payroll and employee benefits	50,314	14.2 %	199,330	19.6 %	268,857	38,981	16.9 %
Delivery costs	12,233	3.5 %	38,604	3.8 %	73,616	10,673	4.6 %
Other operating expenses	35,613	10.0 %	99,105	9.7 %	107,770	15,625	6.7 %
Store depreciation and amortization	16,450	4.7 %	62,679	6.2 %	118,659	17,204	7.5 %
<b>Company owned and operated store costs and expenses</b>	<b>243,731</b>	<b>69.0 %</b>	<b>755,818</b>	<b>74.3 %</b>	<b>1,120,290</b>	<b>162,427</b>	<b>70.4 %</b>
Costs of other revenues	5,208	1.5 %	16,731	1.6 %	48,555	7,040	3.0 %
Marketing expenses	16,986	4.8 %	50,317	4.9 %	81,017	11,746	5.0 %
General and administrative expenses	79,366	22.5 %	174,963	17.2 %	289,544	41,979	18.2 %
Franchise and royalty expenses	8,592	2.4 %	18,800	1.8 %	35,595	5,161	2.2 %
Other operating costs and expenses	2,713	0.8 %	2,135	0.2 %	8,340	1,209	0.5 %
Loss on disposal of property and equipment	—	—	1,546	0.2 %	8,835	1,281	0.6 %
Impairment losses of long-lived assets	—	—	1,002	0.1 %	7,223	1,047	0.5 %
Other income	3,339	1.0 %	3,476	0.3 %	7,152	1,037	0.4 %
<b>Total costs and expenses, net</b>	<b>353,257</b>	<b>100.0 %</b>	<b>1,017,836</b>	<b>100.0 %</b>	<b>1,592,247</b>	<b>230,853</b>	<b>100.0 %</b>

- **Company owned and operated store costs and expenses.** Company owned and operated store costs and expenses primarily consist of food and packaging costs, rental expenses, payroll and employee benefits costs, delivery costs, and other operating expenses.
- **Costs of other revenues.** Costs of other revenues primarily consist of costs related to the purchase of kitchen equipment, costs of raw materials for food, beverage and packaged products that we sell to sub-franchisees and costs of product sales related to our e-commerce business. We ceased selling kitchen equipment to sub-franchisees in 2020 and commenced our e-commerce business in 2021.
- **Marketing expenses.** Marketing expenses refer to expenses associated with advertising and brand promotion activities.
- **General and administrative expenses.** General and administrative expenses primarily consist of payroll and other employee benefits for our administrative employees, research and development expenses, rental expenses for our office space and other back-office expenses.
- **Franchise and royalty expenses.** Franchise and royalty expenses refer to upfront franchise fees pertaining to franchised stores and monthly royalties that we pay to THRI.
- **Other operating costs and expenses.** Other operating costs and expenses primarily consist of the disposal of certain limited-time-offer products.
- **Other income.** Other income primarily consists of government grants and additional input tax deductions.



### *Non-operating Expenses*

- **Interest income.** Interest income primarily consists of interest received on cash deposited in bank accounts.
- **Foreign currency transaction gain/(loss).** Foreign currency transaction gains and losses are as a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency.

### **Taxation**

#### *Cayman Islands Tax*

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

#### *Hong Kong*

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. Under the current Hong Kong Inland Revenue Ordinance, THHK is subject to Hong Kong profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. The first HK\$2 million of assessable profits earned by a company will be taxed at 8.25% whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the Company to benefit from the progressive rates. Additionally, upon payments of dividends to the shareholders, no Hong Kong withholding tax will be imposed.

No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2020, 2021 and 2022.

#### *PRC Tax*

Our PRC Subsidiaries are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008, and latest amended on December 29, 2018, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. For example, enterprises qualified as “High and New Technology Enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards.

Our PRC Subsidiaries are subject to value-added taxes, or VAT, at a rate from 6% to 13% on our products and services, less any deductible VAT we have already paid or borne. They are also subject to surcharges on VAT payments in accordance with PRC law.

## Results of Operations

Comparison of the Years Ended December 31, 2021 and 2022

The following table summarizes key components of our results of operations for the years indicated:

	For the year ended December 31,				
	2021		2022		
	(in thousands, except for %)				
	RMB	%	RMB	US\$	%
<b>Revenues:</b>					
Company owned and operated stores	617,226	95.9 %	938,097	136,011	92.8 %
Other revenues	26,146	4.1 %	72,967	10,579	7.2 %
<b>Total revenues:</b>	<b>643,372</b>	<b>100.0 %</b>	<b>1,011,064</b>	<b>146,590</b>	<b>100.0 %</b>
<b>Costs and expenses, net</b>					
Company owned and operated stores					
Food and packaging	207,948	32.3 %	314,550	45,606	31.1 %
Store rental expenses	148,152	23.0 %	236,838	34,338	23.4 %
Payroll and employee benefits	199,330	31.0 %	268,857	38,981	26.6 %
Delivery costs	38,604	6.0 %	73,616	10,673	7.3 %
Other operating expenses	99,105	15.5 %	107,770	15,625	10.7 %
Store depreciation and amortization	62,679	9.7 %	118,659	17,204	11.7 %
<b>Company owned and operated store costs and expenses</b>	<b>755,818</b>	<b>117.5 %</b>	<b>1,120,290</b>	<b>162,427</b>	<b>110.8 %</b>
Costs of other revenues	16,731	2.6 %	48,555	7,040	4.8 %
Marketing expenses	50,317	7.8 %	81,017	11,746	8.0 %
General and administrative expenses	174,963	27.2 %	289,544	41,979	28.7 %
Franchise and royalty expenses	18,800	2.9 %	35,595	5,161	3.5 %
Other operating costs and expenses	2,135	0.3 %	8,340	1,209	0.8 %
Loss on disposal of property and equipment	1,546	0.2 %	8,835	1,281	0.9 %
Impairment losses of long-lived assets	1,002	0.2 %	7,223	1,047	0.7 %
Other income	3,476	0.5 %	7,152	1,037	0.7 %
<b>Total costs and expenses, net</b>	<b>1,017,836</b>	<b>158.2 %</b>	<b>1,592,247</b>	<b>230,853</b>	<b>157.5 %</b>
<b>Operating loss</b>	<b>(374,464)</b>	<b>(58.2)%</b>	<b>(581,183)</b>	<b>(84,263)</b>	<b>(57.5)%</b>
Interest income	316	0.0 %	2,703	392	0.3 %
Interest expenses	(1,902)	(0.3)%	(14,804)	(2,146)	(1.5)%
Foreign currency transaction loss	(1,302)	(0.1)%	(6,275)	(910)	(0.6)%
Changes in fair value of convertible notes	(5,577)	(0.9)%	(4,494)	(652)	(0.4)%
Changes in fair value of warrant liabilities	—	—	45,903	6,655	4.5 %
Changes in fair value of ESA derivative liabilities	—	—	(186,598)	(27,054)	(18.5)%
<b>Loss before income taxes</b>	<b>(382,929)</b>	<b>(59.5)%</b>	<b>(744,748)</b>	<b>(107,978)</b>	<b>(73.7)%</b>
Income tax expenses	—	0.0 %	—	—	0.0 %
<b>Net loss</b>	<b>(382,929)</b>	<b>(59.5)%</b>	<b>(744,748)</b>	<b>(107,978)</b>	<b>(73.7)%</b>

### Revenues

Our revenues increased by 57.2% from RMB643.4 million in 2021 to RMB1,011.1 million (US\$146.6 million) in 2022, primarily as a result of growth of revenue from company owned and operated stores.

- **Company owned and operated stores.** Revenue from company owned and operated stores represents revenue from sales of food, beverage and packaged products to customers by company owned and operated stores, inclusive of delivery-generated revenue. Our revenues from company owned and operated stores were RMB938.1 million (US\$136.0 million) in 2022, representing 92.8% of our total revenues, compared to RMB617.2 million in 2021, or 95.9% of our total revenues. The growth of our revenues from company owned and operated stores was primarily driven by an increase in the number of company owned and operated stores from 373 as of December 31, 2021 to 547 as of December 31, 2022.

- **Other revenues.** Our other revenue increased by 179.1% from RMB26.1 million in 2021 to RMB73.0 million (US\$10.6 million) in 2022, primarily attributable to the rapid expansion of our e-commerce business and an increase in franchise fees and revenues from other franchise support activities, which was attributable to an increase in the number of franchised stores from 17 as of December 31, 2021 to 70 as of December 31, 2022.

#### *Company-Operated Store Costs and Expenses*

Our company owned and operated store costs and expenses were RMB1,120.3 million (US\$162.4 million) in 2022, compared to RMB755.8 million in 2021. The increase was primarily due to: (i) an increase in costs and expenses related to food and packaging from RMB207.9 million in 2021 to RMB314.6 million in 2022, in line with our revenue growth and store network expansion; (ii) an increase in rental expenses from RMB148.2 million in 2021 to RMB236.8 million in 2022, in line with the expansion of our stores; (iii) an increase in delivery costs from RMB38.6 million in 2021 to RMB73.6 million in 2022, in line with the significant increase in delivery orders; (iv) an increase in payroll and employee benefits from RMB199.3 million in 2021 to RMB268.9 million in 2022, primarily due to increased headcount of our store operations and management personnel; (v) an increase in other operating expenses from RMB99.1 million in 2021 to RMB107.8 million in 2022, as a result of the opening of 174 additional company owned and operated stores in 2022; and (vi) an increase in store depreciation and amortization expenses from RMB62.7 million in 2021 to RMB118.7 million in 2022, in line with our store network expansion. Our company owned and operated store costs and expenses as a percentage of our revenue generated from company owned and operated stores decreased from 117.5% in 2021 to 110.8% in 2022, primarily due to refined staffing arrangement of our store operation personnel and optimization of our labor structure, including hiring more part-time employees, and our continuous efforts to optimize our cost structure and drive operating leverage through revenue growth and store network expansion.

#### *Cost of Other Revenues*

Our cost of other revenues increased by 190.2% from RMB16.7 million in 2021 to RMB48.6 million (US\$7.0 million) in 2022, as a result of an increase in the number of franchised stores from 17 as of December 31, 2021 to 70 as of December 31, 2022, and the incurrence of cost of product sales related to our e-commerce business for the year ended December 31, 2022.

#### *Marketing Expenses*

Our marketing expenses increased from RMB50.3 million in 2021 to RMB81.0 million (US\$11.7 million) in 2022, as a result of the increase in the number of our system-wide stores from 390 as of December 31, 2021 to 617 as of December 31, 2022. Our marketing expenses as a percentage of our total revenues stayed relatively flat at 7.8% in 2021 and 8.0% in 2022, as our brand awareness and affinity continued to increase along with our geographic expansion.

#### *General and Administrative Expenses*

Our general and administrative expenses increased by 65.5% from RMB175.0 million in 2021 to RMB290.0 million (US\$42.0 million) in 2022, primarily due to: (i) increased payroll and employee benefits as a result of growing headcount; (ii) increased share-based compensation expenses recognized upon the closing of the Business Combination and (iii) expenses related to the issuance of the Commitment Fee Shares. Our general and administrative expenses as a percentage of our total revenues increased from 27.2% in 2021 to 28.7% in 2022 as a result of recognition of share-based compensation expenses in 2022 and incurrence of expenses related to the issuance of the Commitment Fee Shares.

#### *Franchise and Royalty Expenses*

Our franchise and royalty expenses increased by 89.3% from RMB18.8 million in 2021 to RMB35.6 million (US\$5.2 million) in 2022, in line with the increase in the number of our system-wide stores from 390 as of December 31, 2021 to 617 as of December 31, 2022.

*Other Operating Costs and Expenses*

Our other operating costs and expenses were RMB8.3 million (US\$1.2 million) in 2022, compared to RMB2.1 million in 2021. The increase was primarily due to losses we incurred from the disposal of certain obsolete inventories and limited time offer products in 2022.

*Loss on Disposal of Property and Equipment*

We incurred loss on disposal of property and equipment of RMB8.8 million (US\$1.3 million) in 2022 primarily due to the disposal of certain scraped kitchen equipment, store leasehold improvements and furniture in 2022.

*Impairment Losses of Long-lived Assets*

We incurred impairment losses of long-lived assets of RMB7.2 million (US\$1.0 million) in 2022 as a result of the closure of certain company owned and operated stores in 2022.

*Interest Income*

Our interest income increased by 755.4% from RMB0.4 million in 2021 to RMB2.7 million (US\$392 thousand) in 2022, which was due to the increase in our average bank deposits balance in 2022.

*Interest Expenses*

We incurred interest expenses of RMB14.8 million (US\$2.1 million) for the year ended December 31, 2022, primarily due to the increase in our bank borrowings in 2022.

*Changes in Fair Value of Convertible Notes, Excluding Impact of Instrument-specific Credit Risk*

We recorded an increase in fair value of convertible notes of RMB4.5 million (US\$0.7 million), excluding the impact of instrument-specific credit risks.

*Changes in fair value of warrant liabilities*

We recorded a decrease in fair value of warrant liabilities of RMB45.9 million (US\$7.14 million).

*Changes in fair value of ESA derivative liabilities*

We recorded an increase in fair value of ESA derivative liabilities of RMB186.6 million (US\$29.03 million).

*Foreign Currency Transaction Loss*

We recorded net foreign exchange loss of RMB6.3 million (US\$0.9 million) in 2022, compared to a loss of RMB1.3 million in 2021. The change in net foreign exchange loss was primarily due to the depreciation of RMB to USD with respect to the convertible notes financing in December 2021.

*Net Loss*

As a result of the foregoing, our net loss was RMB382.9 million for the year ended December 31, 2021 and RMB744.7 million (US\$108.0 million) for the year ended December 31, 2022.

Comparison of the Years Ended December 31, 2020 and 2021

The following table summarizes key components of our results of operations for the years indicated:

	For the year ended December 31,			
	2020		2021	
	(in thousands, except for %)			
	RMB	%	RMB	%
<b>Revenues:</b>				
Company owned and operated stores	206,036	97.1 %	617,226	95.9 %
Other revenues	6,049	2.9 %	26,146	4.1 %
<b>Total revenues:</b>	<b>212,085</b>	<b>100.0 %</b>	<b>643,372</b>	<b>100.0 %</b>
<b>Costs and expenses, net</b>				
Company owned and operated stores				
Food and packaging	74,402	35.1 %	207,948	32.3 %
Store rental expenses	54,719	25.8 %	148,152	23.0 %
Payroll and employee benefits	50,314	23.7 %	199,330	31.0 %
Delivery costs	12,233	5.8 %	38,604	6.0 %
Other operating expenses	35,613	16.7 %	99,105	15.5 %
Store depreciation and amortization	16,450	7.8 %	62,679	9.7 %
<b>Company owned and operated store costs and expenses</b>	<b>243,731</b>	<b>114.9 %</b>	<b>755,818</b>	<b>117.5 %</b>
Costs of other revenues	5,208	2.5 %	16,731	2.6 %
Marketing expenses	16,986	8.0 %	50,317	7.8 %
General and administrative expenses	79,366	37.4 %	174,963	27.2 %
Franchise and royalty expenses	8,592	4.1 %	18,800	2.9 %
Other operating costs and expenses	2,713	1.3 %	2,135	0.3 %
Loss on disposal of property and equipment	—	—	1,546	0.2 %
Impairment losses of long-lived assets	—	—	1,002	0.2 %
Other income	3,339	1.6 %	3,476	0.5 %
<b>Total costs and expenses, net</b>	<b>353,257</b>	<b>166.6 %</b>	<b>1,017,836</b>	<b>158.2 %</b>
<b>Operating loss</b>	<b>(141,172)</b>	<b>(66.6)%</b>	<b>(374,464)</b>	<b>(58.2)%</b>
Interest income	511	0.2 %	316	—
Interest expenses	—	—	(1,902)	(0.3)%
Foreign currency transaction loss	(2,399)	(1.1)%	(1,302)	(0.1)%
Changes in fair value of convertible notes	—	—	(5,577)	(0.9)%
Changes in fair value of warrant liabilities	—	—	—	—
Changes in fair value of ESA derivative liabilities	—	—	—	—
<b>Loss before income taxes</b>	<b>(143,060)</b>	<b>(67.5)%</b>	<b>(382,929)</b>	<b>(59.5)%</b>
Income tax expenses	—	—	—	—
<b>Net loss</b>	<b>(143,060)</b>	<b>(67.5)%</b>	<b>(382,929)</b>	<b>(59.5)%</b>

## Revenues

Our revenues increased by 203.4% from RMB212.1 million in 2020 to RMB643.4 million in 2021, primarily as a result of growth of revenue from company owned and operated stores.

- **Company owned and operated stores.** Revenue from company owned and operated stores represents revenue from sales of food, beverage and packaged products to customers by company owned and operated stores, inclusive of delivery-generated revenue. Our revenues from company owned and operated stores were RMB617.2 million in 2021, representing 95.9% of our total revenues, compared to RMB206.0 million in 2020, or 97.1% of our total revenues. The growth of our revenues from company owned and operated stores was primarily driven by an increase in the number of orders from approximately 6.1 million in 2020 to approximately 19.2 million in 2021, which in turn was driven primarily by (i) an increase in the number of company owned and operated stores from 128 as of December 31, 2020 to 373 as of December 31, 2021 and (ii) a 15.7% same-store sales growth of our company owned and operated stores from 2020 to 2021.
- **Other revenues.** Our other revenue increased by 332.2% from RMB6.0 million in 2020 to RMB26.1 million in 2021, primarily attributable to the launch of our e-commerce business, which generated revenues of RMB13.1 million in 2021, and an increase in franchise fees from other franchise support activities from RMB6.0 million in 2020 to RMB11.4 million in 2021, which was attributable to an increase in the number of franchise stores from nine as of December 31, 2020 to 17 as of December 31, 2021.

## Company-Operated Store Costs and Expenses

Our company owned and operated store costs and expenses were RMB755.8 million in 2021, compared to RMB243.7 million in 2020. The increase was primarily due to: (i) an increase in costs and expenses related to food and packaging from RMB74.4 million in 2020 to RMB207.9 million in 2021, in line with our revenue growth and store network expansion; (ii) an increase in rental expenses from RMB54.7 million for the year ended December 31, 2020 to RMB148.2 million for the year ended December 31, 2021, in line with the expansion of our stores; (iii) an increase in delivery costs from RMB12.2 million for the year ended December 31, 2020 to RMB38.6 million in 2021, in line with the significant increase in delivery orders from 2020 to 2021; (iv) an increase in payroll and employee benefits from RMB50.3 million in 2020 to RMB199.3 million in 2021, primarily due to increased headcount of our store operations and management personnel; (v) an increase in other operating expenses from RMB35.6 million for the year ended December 31, 2020 to RMB99.1 million for the year ended December 31, 2021, as a result of the opening of 245 additional company owned and operated stores in 2021; and (vi) an increase in store depreciation and amortization expenses from RMB16.5 million in 2020 to RMB62.7 million in 2021, in line with our store network expansion. Our company owned and operated store costs and expenses as a percentage of our revenue generated from company owned and operated stores increased from 118.3% in 2020 to 122.5% in 2021, primarily due to increased headcount and labor costs incurred for training purposes during the store pre-opening period.

## Cost of Other Revenues

Our cost of other revenues increased by 221.3% from RMB5.2 million in 2020 to RMB16.7 million in 2021, as a result of the opening of eight additional franchise stores in 2021, and the incurrence of costs of product sales related to our new e-commerce business of RMB7.2 million in 2021.

## Marketing Expenses

Our marketing expenses increased significantly from RMB17.0 million in 2020 to RMB50.3 million in 2021, as a result of the expansion of our nationwide store network from 137 as of December 31, 2020 to 390 as of December 31, 2021. Our marketing expenses as a percentage of our total revenues stayed flat at 8.0% in 2020 and 7.8% in 2021, as our brand awareness and affinity continued to increase along with our geographic expansion.

#### *General and Administrative Expenses*

Our general and administrative expenses increased by 120.5% from RMB79.4 million in 2020 to RMB175.0 million in 2021, primarily due to increased payroll and employee benefits as a result of growing headcount. Our general and administrative expenses as a percentage of our total revenues decreased from 37.4% in 2020 to 27.2% in 2021 as a result of our growing economies of scale and operating efficiency.

#### *Franchise and Royalty Expenses*

Our franchise and royalty expenses increased by 118.8% from RMB8.6 million in 2020 to RMB18.8 million in 2021, in line with the significant growth of our total revenues and the opening of 245 additional company owned and operated stores and 8 additional franchise stores in 2021.

#### *Other Operating Costs and Expenses*

Our other operating costs and expenses were RMB2.1 million in 2021, compared to RMB2.7 million in 2020. The decrease was primarily due to losses we incurred from the disposal of certain limited time offer products in 2020.

#### *Loss on Disposal of Property and Equipment*

We incurred loss on disposal of property and equipment of RMB1.5 million primarily due to the disposal of certain scraped kitchen equipment and store leasehold improvements in 2021.

#### *Impairment Losses of Long-lived Assets*

We incurred impairment losses of long-lived assets of RMB1.0 million in 2021 as a result of the closure of a company owned and operated store.

#### *Interest Income*

Our interest income decreased by 38.3% from RMB0.5 million in 2020 to RMB0.3 million in 2021, which was due to a decrease in our average bank deposits as we allocated more working capital to support the rapid expansion of our store network.

#### *Interest Expenses*

We incurred interest expenses of RMB1.9 million for the year ended December 31, 2021, primarily due to the bank borrowings made in 2021.

#### *Changes in Fair Value of Convertible Notes, Excluding Impact of Instrument-specific Credit Risk*

We recorded an increase in fair value of the Notes issued in December 2021 of RMB5.6 million, excluding the impact of instrument-specific credit risks.

#### *Foreign Currency Transaction Loss*

We recorded net foreign exchange loss of RMB1.3 million in 2021, compared to a loss of RMB2.4 million in 2020. The change in net foreign exchange gain and loss was primarily due to fluctuations in the exchange rates of our foreign currency deposits.

#### *Net Loss*

As a result of the foregoing, our net loss was RMB143.1 million for the year ended December 31, 2020 and RMB382.9 million for the year ended December 31, 2021.

## Non-GAAP Financial Measures

Certain non-GAAP financial measures are key measures used by our management and Board in evaluating our operating performance and making strategic decisions regarding capital allocation, such as adjusted store EBITDA, adjusted store EBITDA margin, adjusted general and administrative expenses, adjusted corporate EBITDA, adjusted corporate EBITDA margin, adjusted net loss, adjusted net loss margin, and adjusted basic and diluted net loss per ordinary share. These non-GAAP financial measures result from the removal of certain items to reflect what management and our Board believe presents a clearer picture of store-level performance. We believe that the exclusion of certain items in calculating these non-GAAP financial measures facilitates store-level operating performance comparisons on a period-to-period basis. Accordingly, we believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board.

These non-GAAP financial measures have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted store EBITDA and adjusted corporate EBITDA do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted store EBITDA and adjusted corporate EBITDA do not reflect changes in, or cash requirements for, working capital needs;
- Adjusted store EBITDA and adjusted corporate EBITDA do not reflect tax payments that may represent a reduction in cash available; and
- Other companies, including companies in THIL's industry, may calculate the aforementioned non-GAAP financial measures differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider these non-GAAP financial measures alongside other financial performance measures, including various cash flow metrics, operating profit and other U.S. GAAP results.

- Adjusted store EBITDA. Calculated as fully-burdened gross profit of company owned and operated stores excluding depreciation and amortization, and store pre-opening expenses.
- Adjusted store EBITDA margin. Calculated as adjusted store EBITDA as a percentage of revenues from company owned and operated stores.
- Adjusted general and administrative expenses. Calculated as general and administrative expenses excluding share-based compensation expenses, expenses related to the issuance of Commitment Fee Shares, offering costs related to the ESA (the "ESA Offering Costs"), and expenses related to the Option Shares.



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- Adjusted corporate EBITDA. Calculated as operating loss excluding store pre-opening expenses, and certain non-cash expenses consisting of depreciation and amortization, share-based compensation expenses, expenses related to the Commitment Fee Shares, the ESA Offering Costs, expenses related to the Option Shares, impairment losses of longlived assets and loss on disposal of property and equipment.
- Adjusted corporate EBITDA margin. Calculated as adjusted corporate EBITDA as a percentage of total revenues.
- Adjusted net loss. Calculated as net loss excluding store pre-opening expenses, share-based compensation expenses, expenses related to the Commitment Fee Shares, the ESA Offering Costs, expenses related to the Option Shares, impairment losses of long-lived assets, loss on disposal of property and equipment, changes in fair value of convertible notes, changes in fair value of warrant liabilities; and changes in fair value of ESA derivative liabilities.
- Adjusted net loss margin. Calculated as adjusted net loss as a percentage of total revenues.
- Adjusted basic and diluted net loss per ordinary share. Calculated as adjusted net loss attributable to the Company's ordinary shareholders divided by weighted-average number of basic and diluted ordinary share.

A. Adjusted store EBITDA and adjusted store EBITDA margin

	For the year ended December 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
Revenues – company owned and operated stores	206,036	617,226	938,097	136,011
Food and packaging costs – company owned and operated stores	(74,402)	(207,948)	(314,550)	(45,606)
Store rental expenses – company owned and operated stores	(54,719)	(148,152)	(236,838)	(34,338)
Payroll and employee benefits – company owned and operated stores	(50,314)	(199,330)	(268,857)	(38,981)
Delivery costs – company owned and operated stores	(12,233)	(38,604)	(73,616)	(10,673)
Other operating expenses – company owned and operated stores	(35,613)	(99,105)	(107,770)	(15,625)
Store depreciation and amortization	(16,450)	(62,679)	(118,659)	(17,204)
Franchise and royalty expenses – company owned and operated stores	(5,147)	(14,894)	(29,404)	(4,263)
<b>Fully-burdened gross loss – company owned and operated stores</b>	<b>(42,842)</b>	<b>(153,486)</b>	<b>(211,597)</b>	<b>(30,679)</b>
Store depreciation and amortization (1)	16,450	62,679	118,659	17,204
Store pre-opening expenses (2)	31,968	110,583	52,262	7,577
<b>Adjusted Store EBITDA</b>	<b>5,576</b>	<b>19,776</b>	<b>(40,676)</b>	<b>(5,898)</b>
<b>Adjusted Store EBITDA Margin</b>	<b>2.7 %</b>	<b>3.2 %</b>	<b>(4.3)%</b>	<b>(4.3)%</b>

B. Adjusted general and administrative expenses

	For the year ended December 31,			
	2020	2021	2022	
	RMB	RMB	RMB	US\$
General and administrative expenses	(79,366)	(174,963)	(289,544)	(41,979)
Adjusted for:				
Share-based compensation expenses	—	—	44,421	6,440
Commission fee for Cantor shares	—	—	21,521	3,120
Option granted by controlling shareholder to CB holder	—	—	1,778	258
Offering costs for ESA transactions	—	—	4,622	670
<b>Adjusted General and administrative expenses</b>	<b>(79,366)</b>	<b>(174,963)</b>	<b>(217,202)</b>	<b>(31,491)</b>

C. Adjusted corporate EBITDA and adjusted corporate EBITDA margin

	For the year ended December 31,			
	2020	2021	2022	
	(in thousands of RMB and US\$)			
	RMB	RMB	RMB	US\$
Operating loss	(141,172)	(374,464)	(581,183)	(84,263)
Adjusted for:				
Store pre-opening expenses (2)	31,968	110,583	52,262	7,577
Depreciation and amortization (1)	27,838	74,276	133,403	19,342
Share-based compensation expenses	—	—	44,421	6,440
Commission fee for Cantor shares	—	—	21,521	3,120
Option granted by controlling shareholder to CB holder	—	—	1,778	258
Offering costs for ESA transactions	—	—	4,622	670
Impairment losses of long-lived assets	—	1,002	7,223	1,047
Loss on disposal of property and equipment	—	1,546	8,835	1,281
<b>Adjusted Corporate EBITDA</b>	<b>(81,366)</b>	<b>(187,057)</b>	<b>(307,118)</b>	<b>(44,528)</b>
<b>Adjusted Corporate EBITDA Margin</b>	<b>-38.4%</b>	<b>-29.1%</b>	<b>-30.4%</b>	<b>-30.4%</b>

D. Adjusted net loss and adjusted net loss margin

	For the year ended December 31,			
	2020	2021	2022	
	(in thousands of RMB and US\$)			
	RMB	RMB	RMB	US\$
Net loss	(143,060)	(382,929)	(744,748)	(107,978)
Adjusted for:				
Store pre-opening expenses (2)	31,968	110,583	52,262	7,577
Share-based compensation expenses	—	—	44,421	6,440
Commission fee for Cantor shares	—	—	21,521	3,120
Option granted by controlling shareholder to CB holder	—	—	1,778	258
Offering costs for ESA transactions	—	—	4,622	670
Impairment losses of long-lived assets	—	1,002	7,223	1,047
Loss on disposal of property and equipment	—	1,546	8,835	1,281
Changes in fair value of convertible notes	—	5,577	4,494	652
Changes in fair value of warrant liabilities	—	—	(45,903)	(6,655)
Changes in fair value of ESA derivative liabilities	—	—	186,598	27,054
<b>Adjusted Net loss</b>	<b>(111,092)</b>	<b>(264,221)</b>	<b>(458,897)</b>	<b>(66,534)</b>
<b>Adjusted Net loss Margin</b>	<b>-52.4%</b>	<b>-41.1%</b>	<b>-45.4%</b>	<b>-45.4%</b>

E. Adjusted basic and diluted net loss per Ordinary Share

	For the year ended December 31,			
	2020	2021	2022	
	(in thousands of RMB and US\$, except for number of shares and per share data)			
	RMB	RMB	RMB	US\$
Net Loss attributable to shareholders of the Company	(142,000)	(381,721)	(742,645)	(107,673)
Adjusted for:				
Store pre-opening expenses (2)	31,968	110,583	52,262	7,577
Share-based compensation expenses	—	—	44,421	6,440
Commission fee for Cantor shares	—	—	21,521	3,120
Option granted by controlling shareholder to CB holder	—	—	1,778	258
Offering costs for ESA transactions	—	—	4,622	670
Impairment losses of long-lived assets	—	1,002	7,223	1,047
Loss on disposal of property and equipment	—	1,546	8,835	1,281
Changes in fair value of convertible notes	—	5,577	4,494	652
Changes in fair value of warrant liabilities	—	—	(45,903)	(6,655)
Changes in fair value of ESA derivative liabilities	—	—	186,598	27,054
Adjusted Net loss attributable to shareholders of the Company	(110,032)	(263,013)	(456,794)	(66,229)
Weighted average shares outstanding used in calculating basic and diluted loss per share	106,721,987	121,582,945	128,096,505	128,096,505
Adjusted basic and diluted net loss per Ordinary Share	(1.03)	(2.16)	(3.57)	(0.52)

Notes:

- (1) Primarily consists of depreciation related to property, equipment and store renovations and amortization of the franchise right to use the Tim Hortons brand.
- (2) Primarily consists of material costs and labor costs incurred for training purposes during the store pre-opening period and rental expenses recognized under U.S. GAAP, using straight-line recognition, during the store pre-opening period.

**B Liquidity and Capital Resources**

***Cash Flows and Working Capital***

Our capital expenditures are incurred primarily in connection with purchase of property and equipment. Our main source of liquidity is cash derived from revenue generating activities, proceeds from bank borrowings and proceeds from equity financing. As of December 31, 2020, 2021 and 2022, our cash was RMB174.9 million, RMB390.8 million and RMB239.1 million (US\$34.7 million), respectively, consisting of bank deposits. Our cash requirements may fluctuate based on the timing and extent of many factors such as those discussed above. We believe our existing sources of liquidity (including the Facility), and by obtaining additional loan facilities from banks and renewal of existing bank borrowings when they are due, will be sufficient to fund our operations, including lease obligations, capital expenditures and working capital obligations for at least the next 12 months. As of the date of this Annual Report Popeyes China did not have any business operations and did not have any assets and liabilities other than the exclusive right under the Popeyes MDA to operate and develop of the Popeyes® brand in mainland China and US\$30,000,000 in cash. We may seek additional equity or debt financing in the future to satisfy capital requirements, respond to adverse developments or changes in our circumstances or unforeseen events or conditions, or fund organic or inorganic growth opportunities. In the event that additional financing is required from third party sources, we may not be able to raise it on acceptable terms or at all. See “Item 3. Key Information—D. Risk Factors — Risks Related to THIL’s Business and Industry — We may require additional capital to support business growth and objectives, which might not be available in a timely manner or on commercially acceptable terms, if at all.”

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions from our PRC Subsidiaries to satisfy our liquidity requirements, fund our operations or be used for other purposes outside of mainland China, which may not be available due to existing and/or potential interventions in or the imposition of restrictions and limitations by the PRC government on the ability of our company or our PRC Subsidiaries to transfer cash and/or non-cash assets based on existing or new PRC laws and regulations. Current PRC regulations permit our PRC Subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC Subsidiaries are required to set aside at least 10% of their respective after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC Subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. As of the date of this Annual Report, our PRC Subsidiaries have been in accumulated loss and did not pay dividends to us. Further, if any of our PRC Subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. As a result, our ability to distribute dividends largely depends on earnings from our PRC Subsidiaries and their ability to pay dividends out of their earnings. We cannot assure you that our PRC Subsidiaries will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to us to enable us to meet our obligations, pay interest and expenses or declare dividends. For a detailed description of the restrictions and related risks, see “— Organizational Structure,” “Item 3. Key Information—D. Risk Factors — Risks Related to Doing Business in China — Restrictions on our subsidiaries on paying dividends or making other payments to us under existing or new laws and regulations of the PRC and the HKSAR may restrict our ability to satisfy our liquidity requirements” and “Item 3. Key Information—D. Risk Factors — Risks Related to Doing Business in China — Foreign exchange controls may limit our ability to effectively utilize our revenues and the proceeds from the offerings of our listed securities and adversely affect the value of your investment.”

#### *Convertible Notes*

On December 9, 2021, we and XXIIA entered into a Convertible Note Purchase Agreement with each of Sona and Sunrise. On December 10, 2021, we issued \$50 million in aggregate principal amount of Private Notes to Sona and Sunrise for a purchase price of 98% of the principal amount thereof. On December 30, 2021, we issued \$50 million in aggregate principal amount of Notes under the Indenture to Sona and Sunrise in exchange for the Private Notes, which were cancelled upon such exchange. The Notes will mature on December 10, 2026 and bear interest commencing as of December 10, 2021, payable semi-annually in arrears on June 10 and December 10 of each year, commencing on June 10, 2022. We have the option, on each interest payment date, to pay accrued and unpaid interest (i) entirely in cash or (ii) by PIK Interest. On June 10, 2022 and December 10, 2022, THIL paid PIK Interest in the amount of \$2,250,000 and \$2,351,250, respectively.

Each holder of a Note has the right, after June 10, 2025, to require us to repurchase all of such holder’s Notes at a repurchase price equal to the principal amount of such Note plus accrued and unpaid interest thereon to, but excluding, the repurchase date. We have the right to redeem the Notes in whole, but not in part, (i) at a redemption price equal to 102% of the principal amount of the Notes, plus accrued and unpaid interest thereon to, but excluding, the redemption date, in the event of certain tax changes as described in the Indenture; or (ii) at any time before December 10, 2025, at a redemption price equal to: (a) if the redemption is prior to December 10, 2024, 100% of the principal amount of the Notes plus a “make-whole” as described in the Indenture, and (b) if the redemption is on or after December 10, 2024 and prior to December 10, 2025, 104% of the principal amount of the Notes plus accrued and unpaid interest thereon to, but excluding, the redemption date. The payment of such cash interest, repurchase price or redemption price will lower the amount of cash we have on hand and could restrict our ability to satisfy our liquidity requirements and ability to operate and expand our business. For more details on the related risks, see “Item 3. Key Information—D. Risk Factors — Risks Related to THIL’s Business and Industry — Our convertible notes may impact our financial results, result in the dilution of our shareholders, adversely affect our liquidity, create downward pressure on the price of our securities, and restrict our ability to raise additional capital or take advantage of future opportunities.”

Until the Maturity Date, each Note is convertible into fully paid, validly issued and non-assessable ordinary shares at a conversion price of \$11.50 per share (the “Initial Conversion Price”), which was subsequently adjusted to \$10.85 per share in April 2023 on account of our issuance of shares pursuant to the Share Purchase Agreement. We have the right, at any time on or after the later of (i) December 10, 2023 and (ii) the effective date of the registration statement registering the ordinary shares issuable upon conversion of the Notes, until the Maturity Date, to convert all of the Notes, but only if (i) the last reported sale price per ordinary share is equal to or greater than 130% of the Initial Conversion Price on each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we provide notice of such conversion, and (ii) the average daily trading volume in dollars of our ordinary shares is more than \$5 million.

The Indenture contains covenants that, subject to significant exceptions, restrict the ability of THIL and our subsidiaries to, among other things, incur debt, issue preferred stock, pay dividends on or purchase or redeem capital stock, incur liens, sell assets, amend or terminate the A&R MDA and our amended and restated company franchise agreements with THRI, amend charter documents, or consolidate with or merge with or into other entities. The Indenture also contains events of default and acceleration that are customary for transactions of this nature. On May 26, 2022 and August 19, 2022, waivers were executed to relieve THIL from the obligation to provide copies of its unaudited financial statements for the fiscal quarters ended March 31, 2022 and June 30, 2022 to the holders of the Notes.

#### *Equity Support Agreement*

On March 8, 2022, we entered into an Equity Support Agreement with Shaolin Capital Management LLC, which assigned all of its rights and obligations under the ESA to the ESA Investors on May 25, 2022. On May 25, 2022, we, the ESA Investors and Shaolin Capital Management LLC entered into the Pledge and Security Agreement (the “Pledge and Security Agreement”) whereby we granted to each ESA Investor a first priority security interest in the Collateral Account. On June 13, 2022, we, Shaolin Capital Management LLC, and U.S. Bank National Association entered into the Control Agreement, pursuant to which: (i) U.S. Bank National Association established an account in the name of THIL (the “Collateral Account”) and (ii) U.S. Bank National Association agreed to act as Securities Intermediary (as defined in the UCC) on behalf of us, as debtor, and Shaolin Capital Management LLC, as collateral agent on behalf of the ESA Investors. On July 28, 2022, we and the ESA Investors entered into Amendment No.1 to Equity Support Agreement, pursuant to which we agreed not to identify any of the ESA Investors as a statutory underwriter in the Resale Registration Statement, provided, that if the SEC requests that any of the ESA Investors be identified as a statutory underwriter in the Resale Registration Statement, the ESA Investors will have the opportunity to withdraw from the Resale Registration Statement upon prompt written request to us.

On the Closing Date, we issued 5,000,000 ordinary shares to the ESA Investors at a price of \$10.00 per share. In connection with such issuance and pursuant to the ESA, we paid \$500,000 to the ESA Investors as an option premium and \$3,166,667.20 into the Collateral Account as deposit, and the ESA Investors deposited \$50,000,000 into the Collateral Account.

There are three reference periods under the ESA, each subject to acceleration and postponement in certain circumstances set forth in the ESA. At the end of each of the three reference periods under the ESA, we are required to pay to the ESA Investors from the Collateral Account a Reference Period Payment and, following such payment, have the right to receive from the Collateral Account an Issuer Release Amount, as shown in the table below. The acceleration events under the ESA include, among other things, the Daily VWAP of our ordinary shares being less than \$5.00 for any 10 VWAP Trading Days (whether or not consecutive) during any consecutive 15 VWAP Trading Day period. Upon the occurrence of any of the acceleration events under the ESA, each ESA Investor has the right, but not the obligation, to accelerate any and all the remaining reference periods, at its election and only with a prompt notice within five business days of such condition being or continuing to be met to us regarding the applicable acceleration event, the number of ordinary shares that such acceleration is being applied to, the applicable reference period commencement date and the length of the applicable reference period(s), provided that in no event will any accelerated reference period consist of less than 15 VWAP Trading Days. As of the date of this Annual Report, we have not received any indication that any ESA Investor intends to exercise such acceleration rights. Following the conclusion of, as applicable, the third reference period or the final accelerated reference period and the payment or release of the applicable Reference Period Payment, the outstanding balance of the Collateral Account will be returned to us. Within five business days following the release of the outstanding balance of the Collateral Account, we are required to pay to the ESA Investors and/or Shaolin Capital Management LLC, at the direction of Shaolin Capital Management LLC, the aggregate amount of interest accrued on the funds held in the Collateral Account prior to the release less \$100,000, up to a maximum of \$300,000.

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On December 27, 2022, we and the ESA Investors entered into Amendment No.2 to Equity Support Agreement, which, among other things, amends the definitions of “First Reference Price Commencement Date” and “Reference Period” and extends the duration of the “First Reference Period” from 25 consecutive VWAP Trading Days to 27 consecutive VWAP Trading Days and the “Second Reference Period” and the “Third Reference Period” from 25 consecutive VWAP Trading Days to 30 consecutive VWAP Trading Days.

The following table sets forth a summary of the three reference periods, Reference Period Payments and Issuer Release Amounts under the ESA. “Reference Price” means, with respect to any reference period, the arithmetic averages of the Daily VWAPs for each VWAP Trading Day in such reference period, subject to adjustment. Capitalized terms used but not defined in this paragraph and below have the meanings ascribed to them under the ESA. Based on Reference Price of \$3.25 for the First Reference Period and \$4.28 for the Second Reference Period and assuming that the Reference Price for the Third Reference Period is \$4.33, which was the closing price of our ordinary shares on April 24, 2023, the effective subscription price of the ESA Shares will be \$3.32 per share, and the ESA investors may be able to profit on their ESA Shares if the trading price of our ordinary shares is above \$3.32.

<b>Reference Period</b>	<b>Reference Period Payment</b>		<b>Issuer Release Amount</b>
First Reference Period (the 27 consecutive VWAP Trading Days beginning on, and including, December 29, 2022)	\$11,919,983, i.e., 1,666,666 multiplied by an amount equal to \$10.40 minus \$3.25 (the Reference Price for the First Reference Period).		\$5,413,344, i.e., 1,666,666 multiplied by \$3.25 (the Reference Price for the First Reference Period).
Second Reference Period (the 30 consecutive VWAP Trading Days beginning on, and including, February 20, 2023)	\$10,533,379, i.e., 1,666,666 multiplied by an amount equal to \$10.60 minus \$4.28 (the Reference Price for the Second Reference Period).		\$7,133,280, i.e., 1,666,666 multiplied by \$4.28 (the Reference Price for the Second Reference Period).
Third Reference Period (the 30 consecutive VWAP Trading Days beginning on, and including, May 21, 2023)	If the Reference Price for the Third Reference Period is less than \$10.90:	1,666,668 multiplied by an amount equal to \$10.90 minus the Reference Price (including, if applicable, an Adjusted Reference Price or Delisted/Insolvent Price) for the Third Reference Period (e.g., \$10,950,009 if the Reference Price for the Third Reference Period is \$4.33, the closing price of THIL’s ordinary shares on April 24, 2023)	1,666,668 multiplied by the Reference Price for the Third Reference Period (e.g., \$7,216,672 if the Reference Price for the Third Reference Period is \$4.33, the closing price of THIL’s ordinary shares on April 24, 2023)
	If the Reference Price for the Third Reference Period (including, if applicable, an Adjusted Reference Price) is greater than or equal to \$10.90:	Zero	1,666,668 multiplied by \$10.90 (or \$18,166,681.20)

The Reference Period Payments will be paid out of the \$53,166,667.20 that already has been deposited by the ESA Investors and the Company to the Collateral Account, which has been used to acquire securities issued by a financial institution in the United States. Nonetheless, the requirement to make the aforementioned Reference Period Payments, along with THIL's obligation under Indenture to repurchase, after June 10, 2025, all the convertible notes held by Sona or Sunrise at their election, for a repurchase price equal to the principal amount of such convertible notes plus accrued and unpaid interest thereon to, but excluding, the repurchase date, could adversely affect THIL's liquidity position and the amount of cash that THIL has available to meet its liquidity requirements, execute its business strategy or for other purposes, which may in turn have a material adverse impact on the trading volatility and price of THIL's securities. For more details on the related risks, see "Item 3. Key Information—D. Risk Factors — Risks Related to THIL's Business and Industry — Uncertainties with respect to Reference Period Payments and Issuer Release Amounts under the ESA could materially and adversely affect our liquidity position, our ability to operate our business and execute our business strategy, and the trading volatility and price of our securities" and "Item 3. Key Information—D. Risk Factors — Risks Related to THIL's Business and Industry — Our convertible notes may impact our financial results, result in the dilution of our shareholders, adversely affect our liquidity, create downward pressure on the price of our securities, and restrict our ability to raise additional capital or take advantage of future opportunities."

#### *Committed Equity Facility*

On March 11, 2022, THIL entered into an Ordinary Shares Purchase Agreement with CF Principal Investments LLC related to the Facility, which was amended on November 9, 2022 (the "Purchase Agreement"). Pursuant to and subject to the conditions set forth in the Purchase Agreement, beginning on the date on which the conditions to Cantor's purchase obligation thereunder have been satisfied, including that a registration statement covering the resale by Cantor of the maximum number of ordinary shares issuable under the Purchase Agreement be declared effective by the SEC, THIL has the right from time to time at its option to direct Cantor to purchase its ordinary shares up to a maximum aggregate purchase price of \$100.0 million (each such purchase, a "VWAP Purchase"), subject to certain limitations and conditions set forth in the Purchase Agreement. The per share purchase price of the ordinary shares that THIL elects to sell to Cantor in a VWAP Purchase pursuant to the Purchase Agreement, if any, will be equal to 97% of the VWAP of the ordinary shares during the applicable VWAP Purchase Period for such VWAP Purchase; accordingly, the purchase price per share that Cantor will pay for the ordinary shares purchased from THIL under the Purchase Agreement will fluctuate based on the market price of the ordinary shares at the time THIL elects to sell shares to Cantor. For example, assuming that the VWAP of THIL's ordinary shares during the VWAP Purchase Period on a VWAP Purchase Date is \$4.33 per share, which was the closing price of the ordinary shares on April 24, 2023, the purchase price per share that Cantor would pay for these ordinary shares would be approximately \$4.20, and Cantor would profit on such shares if it were subsequently able to resell them for greater than \$4.20 per share.

On November 9, 2022, THIL issued 826,446 ordinary shares to Cantor (the "Commitment Fee Shares"), as consideration for its entry into the Purchase Agreement on March 11, 2022. Cantor paid no cash consideration for the Commitment Fee Shares. Accordingly, any proceeds received by Cantor upon its sale of the Commitment Fee Shares would be profit. As of the date of this Annual Report, no other ordinary shares have been issued to Cantor. In addition, pursuant to the Purchase Agreement, THIL has agreed to reimburse Cantor for certain expenses incurred in connection with the Facility.

Sales of ordinary shares to Cantor under the Purchase Agreement, and the timing of any sales, will be determined by THIL from time to time in its sole discretion and will depend on a variety of factors, including, among other things, market conditions, the trading price of the ordinary shares and determinations by THIL regarding the use of proceeds from any sale of such ordinary shares. The net proceeds from any sales under the Facility will depend on the frequency with, and prices at, which the ordinary shares are sold to Cantor. To the extent THIL sells shares under the Purchase Agreement, THIL currently plans to use any proceeds therefrom for working capital and general corporate purposes.

Under the terms of the Purchase Agreement, Cantor is not obligated to buy any ordinary shares under the Purchase Agreement if such shares, when aggregated with all other ordinary shares then beneficially owned by Cantor and its affiliates (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder), would result in Cantor beneficially owning ordinary shares in excess of 4.99% of THIL's outstanding ordinary shares.



The resale by Cantor of a significant amount of shares at any given time, or the perception that these sales may occur, along with other issuances and resales of other ordinary shares, could cause the market price of THIL's ordinary shares to decline and to be highly volatile. If and when THIL elects to sell ordinary shares to Cantor pursuant to the Purchase Agreement, after Cantor has acquired such shares, Cantor may resell all, some or none of such ordinary shares at any time or from time to time in its discretion and at different prices. As a result, investors who purchase ordinary shares from Cantor at different times will likely pay different prices for those ordinary shares and may experience different levels of dilution and, in some cases, substantial dilution and different outcomes in their investment results. In addition, while the issuance of ordinary shares to Cantor pursuant to the Purchase Agreement will not affect the rights or privileges of THIL's existing shareholders, the economic and voting interests of each of THIL's existing shareholders will be diluted as a result of such issuance.

The Purchase Agreement and the Registration Rights Agreement between THIL and Cantor, dated March 11, 2022 (the "Cantor Registration Rights Agreement") contain customary registration rights, representations, warranties, conditions and indemnification obligations by each party. The representations, warranties and covenants contained in the Purchase Agreement were made only for purposes of the Purchase Agreement and as of specific dates, were solely for the benefit of the parties to such agreements and are subject to certain important limitations.

Cantor's obligation to purchase ordinary shares under the Purchase Agreement are subject to various conditions precedent thereto set forth in the Purchase Agreement, which conditions include, among others, the following:

- the accuracy in all material respects of the representations and warranties of THIL included in the Purchase Agreement;
- THIL having performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Purchase Agreement to be performed, satisfied or complied with by THIL;
- a registration statement on Form F-1 (or any successor form) covering the resale by Cantor of the maximum number of ordinary shares issuable under the Purchase Agreement as shall be permitted to be included thereon in accordance with applicable SEC rules, regulations and interpretations so as to permit the resale of such shares by Cantor under Rule 415 under the Securities Act at the then prevailing market prices having been declared effective under the Securities Act by the SEC and not being subject to any stop order or suspension by the SEC, FINRA or Nasdaq, and Cantor being able to utilize the prospectus included therein to resell all of the ordinary shares registered thereon;
- THIL having complied with all applicable federal, state and local governmental laws, rules, regulations and ordinances in connection with the execution, delivery and performance of the Purchase Agreement;
- customary bankruptcy-related conditions; and
- the satisfactory completion of due diligence by Cantor and receipt by Cantor of customary legal opinions, auditor comfort letters and bring-down legal opinions and auditor comfort letters as required under the Purchase Agreement.
- Unless earlier terminated as provided in the Purchase Agreement, the Purchase Agreement will terminate automatically on the earliest to occur of:
  - the first day of the month next following the 36-month anniversary of the date of the prospectus included in the registration statement on Form F-1 (or any successor form) covering the resale by Cantor of the maximum number of ordinary shares issuable under the Purchase Agreement;
  - the date on which Cantor shall have purchased ordinary shares under the Purchase Agreement for an aggregate gross purchase price equal to \$100.0 million;
  - the date on which the ordinary shares shall have failed to be listed or quoted on the Nasdaq Capital Market, New York Stock Exchange, the NYSE American, the Nasdaq Global Select Market or the Nasdaq Global Market; and

- the date on which, pursuant to or within the meaning of Title 11, U.S. Code, or any similar U.S. federal or state law or foreign law for the relief of debtors, (a) THIL commences a voluntary case, (b) a custodian is appointed for THIL or for all or substantially all of its property, (c) THIL makes a general assignment for the benefit of its creditors, or (d) a court of competent jurisdiction enters an order or decree for relief against THIL in an involuntary case or the liquidation of THIL or any of its subsidiaries.

THIL has the right to terminate the Purchase Agreement at any time after Commencement, at no cost or penalty, upon three trading days' prior written notice to Cantor. Cantor also has the right to terminate the Purchase Agreement upon three trading days' prior written notice to us, but only upon the occurrence of certain customary events, including the following: (a) the existence of any condition, occurrence, state or event constituting a "material adverse effect" has occurred and is continuing, (b) a change of control or other fundamental transaction has occurred, (c) THIL is in material breach or default under the Cantor Registration Rights Agreement, which is not cured within 15 trading days, (d) while a registration statement, or any post-effective amendment thereto, is required to be maintained effective pursuant to the terms of the Cantor Registration Rights Agreement and Cantor holds any securities registrable under the Cantor Registration Rights Agreement, the effectiveness of such registration statement, or any post-effective amendment thereto, lapses for any reason (including, without limitation, the issuance of a stop order by the SEC) or such registration statement or any post-effective amendment thereto, the prospectus contained therein or any prospectus supplement thereto otherwise becomes unavailable to Cantor for the resale of all of the registerable securities included therein in accordance with the terms of the Cantor Registration Rights Agreement, and such lapse or unavailability continues for a period of 45 consecutive trading days or for more than an aggregate of 90 trading days in any 365-day period, other than due to acts of Cantor; (e) trading in THIL's ordinary shares on Nasdaq shall have been suspended and such suspension continues for a period of five consecutive trading days; or (f) THIL is in material breach or default of any of its covenants and agreements contained in the Purchase Agreement, and, if such breach or default is capable of being cured, such breach or default is not cured within 15 trading days after notice of such breach or default is delivered to THIL pursuant to the terms of the Purchase Agreement. THIL and Cantor may also terminate the Purchase Agreement at any time by mutual written consent.

No termination of the Purchase Agreement by THIL or by Cantor will (i) become effective prior to the second trading day immediately following the date on which the purchase of ordinary shares by Cantor pursuant to any pending VWAP Purchase has been fully settled in accordance with the terms and conditions of the Purchase Agreement, (ii) limit, alter, modify, change or otherwise affect THIL's or Cantor's rights or obligations under the Cantor Registration Rights Agreement, all of which will survive any such termination, or (iii) affect the Commitment Fee Shares.

Subject to specified exceptions included in the Purchase Agreement, during the term of the Purchase Agreement, THIL shall not effect or enter into an agreement to effect an "equity line of credit," "at-the-market offering," "equity distribution program" or any similar transaction whereby it may issue or sell ordinary shares or any securities of THIL or its subsidiaries which entitle the holder thereof to acquire at any time ordinary shares, including, without limitation, any debt, preferred stock or shares, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, ordinary shares, at a future determined price.

#### Cash Flows

The following table sets forth a summary of our cash flows for the years presented.

	For the year ended December 31,			
	2020	2021		2022
	(in thousands)			
	RMB	RMB	RMB	US\$
Net cash used in operating activities	(145,773)	(244,966)	(286,929)	(41,601)
Net cash used in investing activities	(144,747)	(335,277)	(705,172)	(102,240)
Net cash provided by financing activities	221,125	797,997	827,160	119,927
Effect of foreign currency exchange rate changes on cash	(16,173)	(1,791)	13,181	1,911
Net increase (decrease) in cash	(85,568)	215,963	(151,760)	(22,003)
Cash at beginning of the year	260,442	174,874	390,837	56,666
Cash at end of the year	174,874	390,837	239,077	34,663

Operating Activities

Net cash used in operating activities for the year ended December 31, 2022 was RMB286.9 million (US\$41.6 million). The difference between our net loss of RMB744.7 million (US\$108.0 million) and net cash used in operating activities for the year ended December 31, 2022 was primarily due to (i) an adjustment of RMB374.4 million (US\$54.3 million) in non-cash items, which primarily consisted of (a) changes in fair value of ESA derivative liabilities of RMB186.6 million (US\$27.1 million), (b) depreciation and amortization expense of RMB133.4 million (US\$19.3 million), (c) share-based payment expenses RMB74.7 million (US\$10.8 million), (d) other adjustment of RMB25.6 million (US\$3.7 million) due to loss on disposal of property and equipment, provision for inventories write-down, allowance for doubtful accounts, impairment losses of long-lived assets, unrealized foreign currency transaction loss, changes in fair value of convertible notes, offset by (e) RMB45.9 million (US\$6.6 million) in changes in fair value of convertible notes, excluding impact of instrument-specific credit risk; and (ii) net changes in operating assets and liabilities of RMB83.4 million (US\$12.1 million), which primarily consisted of (a) an increase in accounts payable of RMB44.7 million (US\$6.5 million) in line with the expansion of our business, (b) an increase in other current liabilities of RMB35.0 million (US\$5.1 million) due to increased accrued payroll and employee-related costs, payable for other operating expenditures, and (c) other increase of RMB3.6 million (US\$0.5 million) in accounts receivable, inventories, prepaid expenses and other current assets, other non-current assets, amounts due to related parties, contract liabilities, other non-current liabilities, right-of-use asset and lease liabilities. The 17.1% increase in net cash used in operating activities from RMB245.0 million in 2021 to RMB286.9 million (US\$41.6 million) in 2022 was mainly due to continuing rapid expansion of our business.

Net cash used in operating activities for the year ended December 31, 2021 was RMB245.0 million. The difference between our net loss of RMB382.9 million and net cash used in operating activities for the year ended December 31, 2021 was primarily due to (i) an adjustment of RMB83.2 million in non-cash items, which primarily consisted of depreciation and amortization expense of RMB74.3 million and RMB5.6 million in changes in fair value of convertible notes, excluding impact of instrument-specific credit risk; and (ii) net changes in operating assets and liabilities of RMB54.7 million which primarily consisted of (a) an increase in accounts payable of RMB45.6 million in line with the expansion of our business, (b) an increase in other current liabilities of RMB69.5 million due to increased accrued payroll and employee-related costs, payable for other operating expenditures and (c) an increase in other non-current liabilities of RMB28.7 million due to an increase in accrued operating lease charges and deferred government subsidies, offset by (d) an increase in inventories of RMB31.2 million as we opened 245 new company owned and operated stores in 2021, (e) an increase in prepaid expenses and other current assets of RMB36.2 million due to increased prepaid rental expenses, marketing expenses and deductible input VAT credit; and (f) an increase in other non-current assets of RMB35.5 million due to increased long-term rental deposits. The 68.0% increase in net cash used in operating activities from RMB145.8 million in 2020 to RMB245.0 million in 2021 was mainly due to the rapid expansion of our store network nationwide.

Net cash used in operating activities for the year ended December 31, 2020 was RMB145.8 million. The difference between our net loss of RMB143.1 million and net cash used in operating activities for the year ended December 31, 2020 was primarily due to (i) an adjustment of RMB30.2 million in non-cash items, which primarily consisted of depreciation and amortization expense of RMB27.8 million; and (ii) net changes in operating assets and liabilities of RMB32.9 million, which primarily consisted of an increase of prepaid expenses and other current assets of RMB36.7 million due to prepaid rental expenses, marketing expenses and deductible input VAT credit and an increase of other non-current assets of RMB22.1 million due to long-term rental deposits. The 89.0% increase in net cash used in operating activities from RMB77.1 million in 2019 to RMB145.8 million in 2020 was mainly due to the rapid expansion of our business.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2022 was RMB705.2 million (US\$102.2 million), compared to RMB335.3 million for the year ended December 31, 2021, which primarily resulted from the investment of Collateral Account balance invested in U.S. treasury bonds ESA collateral account which the underlying assets are.

Net cash used in investing activities for the year ended December 31, 2021 was RMB335.3 million, compared to RMB144.7 million for the year ended December 31, 2020, which primarily resulted from the opening of 245 additional company owned and operated stores in 2021.

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Net cash used in investing activities for the year ended December 31, 2020 was RMB144.7 million, which primarily resulted from capital expenditures in equipment, fixtures, store decorations and digital infrastructure. The 158.0% increase in net cash used in investing activities from RMB56.1 million in 2019 to RMB144.7 million in 2020 was mainly due to the opening of additional company owned and operated stores.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2022 was RMB827.2 million (US\$121.0 million), primarily attributable to net proceeds of RMB355.5 million (US\$51.5 million) from the ESA Investors, net proceeds of RMB316.4 million (US\$45.9 million) from the PIPE Investors, draw-down of bank loans in the amount of RMB707.6 million (US\$102.6 million), partially offset by repayment of bank loans in the amount of RMB494.9 million (US\$71.8 million) and net offering costs related to the Business Combination and the PIPE transaction in the amount of RMB57.5 million (US\$ 8.3 million).

Net cash provided by financing activities for the year ended December 31, 2021 was RMB798.0 million, primarily attributable to net proceeds of RMB312.1 million from the issuance of convertible notes, draw-down of bank loans in the amount of RMB204.0 million, and issuance of ordinary shares of RMB291.4 million (US\$43.5 million), partially offset by payment for financing costs of RMB9.4 million in 2021.

Net cash provided by financing activities for the year ended December 31, 2020 was RMB221.1 million, primarily attributable to proceeds from issuance of ordinary shares of RMB222.8 million, partially offset by payment for financing cost of RMB1.7 million.

**Off-Balance Sheet Commitments and Arrangements**

During the periods presented, we did not have any off-balance sheet commitments or arrangements.

**Recent Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position and result of operations is disclosed in Note 2 to our audited historical consolidated financial statements included elsewhere in this Annual Report.

**C Research and Development**

See “Item 4. Information On the Company—B. Business Overview—Research and Development” and “—Intellectual Property.”

**D Trend Information**

Other than as disclosed elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events since January 1, 2022 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

**E Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP. In doing so, we have to make estimates and assumptions. Our critical accounting estimates are those estimates that involve a significant level of uncertainty at the time the estimate was made, and changes in them have had or are reasonably likely to have a material effect on our financial condition or results of operations. Accordingly, actual results could differ materially from our estimates. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis.

**Share-based compensation**

Share-based awards granted to the employees and directors in the form of share options and restricted share units are subject to service and performance conditions. They are measured at the grant date fair value of the awards, and are recognized as compensation expense using the graded vesting method if and when we consider that it is probable that the performance condition will be achieved. We elect to recognize the effect of forfeitures in compensation costs when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Options granted under THIL's 2019 Share Option Scheme, which was amended and restated on the Closing Date in connection with the Business Combination (the "Scheme"), were measured at fair value as of the respective dates using the Binomial Option Pricing Model with the following assumptions:

	2020	2021	2022
Expected volatility	24.51%-26.99 %	24.74% – 25.00 %	25.00 %
Risk-free interest rate (per annum)	1.01%-1.12 %	2.47% – 2.53 %	2.50%-2.80 %
Exercise multiple	2.50-2.80	2.50 – 2.80	2.50-2.80
Expected dividend yield	0.00 %	0.00 %	0.00 %
Expected term (in years)	6	10	10
Fair value of underlying unit (3.45 unit = 1 ordinary share)	US\$0.37–US\$0.53	\$0.88 – \$1.49	US\$1.86

The estimated fair value of the underlying unit at the grant date was estimated by management with the assistance of an independent valuation firm. The income approach involves applying discounted cash flow analysis based on our projected cash flow using management's best estimate as of the valuation dates. Estimating future cash flow requires us to analyze projected revenue growth, gross margins, operating expense levels, effective tax rates, capital expenditures, working capital requirements, and discount rates. Our projected revenues were based on expected annual growth rates derived from a combination of historical experience and the general trend in this industry. The revenue and cost assumptions used are consistent with our long-term business plan and market conditions in this industry. We also have to make complex and subjective judgments regarding our business risks, limited operating history and future prospects at the time of grant.

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of our options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US\$ for a term consistent with the expected term of our options in effect at the option valuation date. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of empirical studies on the actual exercise behavior of employees. The expected dividend yield is zero as we have never declared or paid any cash dividends on our shares, and we do not anticipate any dividend payments in the foreseeable future. The expected term is calculated from the grant date to estimated expiration date.

Restricted share units granted to Grantees were measured at fair value as of the grant date using the income approach. The income approach involves applying discounted cash flow analysis based on the Company's projected cash flow using management's best estimate as of the valuation dates.

For more details, see Note 20 to THIL's historical consolidated financial statements included elsewhere in this Annual Report.

**Convertible notes, at fair value**

On December 9, 2021, the Company issued \$50 million in aggregate principal amount of convertible notes to Sona and Sunrise for a purchase price of 98% of the principal amount thereof, which are measured at fair value. Subsequently, the component of fair value changes relating to the instrument specific credit risk of the Notes is recognized in other comprehensive (loss)/income. Fair value changes, other than the impact of instrument specific credit risk, are recognized in changes in fair value of financial instruments in our consolidated statement of operations.

The Notes were measured at fair value using the Binomial Option Pricing Model.

As of December 31, 2022, the assumptions were as follow:

	<b>Convertible notes</b>
Expected volatility	28 %
Risk-free interest rate (per annum)	4.10 %
Expected dividend yield	0.00 %
Fair value of the underlying ordinary share	US\$2.78
Bond yield	13.30 %
Coupon rate	9.00 %

The fair value of the cNotes as of December 31, 2022 was estimated by management with the assistance of an independent valuation firm.

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Notes. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US\$ for a term consistent with the expected term of the Notes in effect at the Notes' valuation date. The expected dividend yield is zero as the Company has never declared or paid any cash dividends on its shares and the Company does not intend to pay dividend before the Company becomes profitable. The bond yield was based on the market yield of comparable bonds with similar credit rating.

For more details, see Note 24 to the Company's historical consolidated financial statements included elsewhere in this Annual Report.

## ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this Annual Report.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Peter Yu	61	Chairman and Director
Yongchen Lu	45	Chief Executive Officer and Director
Dong Li	46	Chief Financial Officer
Bin He	39	Chief Consumer Officer
Gregory Armstrong	45	Director
Paul Hong	52	Director
Andrew Wehrley	45	Director
Meizi Zhu	38	Director
Eric Haibing Wu	50	Director
Rafael Odorizzi De Oliveira	38	Director
Derek Cheung	44	Director

**Peter Yu.** Mr. Yu has served as Chairman of our Board since May 2018. Mr. Yu is the Managing Partner and co-founder of Cartesian Capital Group, LLC. He is the Chairman and CEO of Cartesian Growth Corporation II, and served as the chairman and CEO of Cartesian Growth Corporation, each a special purpose acquisition Company. Mr. Yu also served as a director at Westport Fuel Systems Inc., a clean transportation technology company, from January 2016 to July 2020. Prior to founding Cartesian in 2006, he founded and served as President & CEO of AIG Capital Partners, Inc. ("AIGCP"). Under his leadership, AIGCP became a leading international private equity firm, with more than \$4.5 billion in committed capital. Mr. Yu led numerous investments in several regions, and served as Chairman of the investment committee of eight AIGCP private equity funds. Prior to founding AIGCP in 1996, Mr. Yu served President Clinton as Director to the National Economic Council, the White House office, responsible for developing and coordinating economic policy. Prior to that, Mr. Yu served as a law clerk on the U.S. Supreme Court. Mr. Yu holds a Bachelor of Arts degree from Princeton University's Woodrow Wilson School and J.D. degree from Harvard Law School, where he served as the President of the Harvard Law Review.

**Yongchen Lu.** Mr. Lu has served as our Chief Executive Officer since May 2018 and a member of our Board since September 2022. Mr. Lu has served as the Chief Executive Officer of Tim Hortons (China) Holdings Co., Ltd. since May 2018. Previously, Mr. Lu served as the CFO of Burger King China from November 2012 to April 2018 and China Representative at Cartesian from January 2008 to January 2016. Prior to joining Cartesian, Mr. Lu worked at General Electric for over six years, where he was responsible for managing an indoor fixture product line for the Asia Pacific region, including sourcing, R&D, supply chain, sales and marketing. Mr. Lu graduated from GE's Financial Management Program and was a certified Six Sigma Black Belt. Mr. Lu holds a bachelor's degree in international finance from Shanghai Jiaotong University and an MBA from Tuck School of Business at Dartmouth College.

**Dong Li.** Mr. Li has served as our Chief Financial Officer since September 2021. Mr. Li has more than 20 years' management experience in public accounting, investment banking, and corporate finance. Previously, from September 2019 to September 2021, Mr. Li served as the Chief Financial Officer of Ximalaya Inc., a non-music audio company operating in China, where he led multiple fundraising rounds and supervised the overall corporate governance, capital markets, investor relations and internal finance functions. Prior to that, from July 2017 to June 2019, Mr. Li was the Chief Financial Officer of OneSmart International Education Group Limited (NYSE: ONE), a K-12 education company operating in China, where he helped lead the company's initial public offering on the New York Stock Exchange. Prior to that, he was also the Chief Financial Officer of Pegasus Media Group Limited and Ecovacs Robotics Holdings Limited (SSE: 603486); worked in investment banking for Bank of America Merrill Lynch and ICBC International; and served in the auditing practice group for KPMG. Mr. Li is also an independent director at GreenTree Hospitality Group Ltd. (NYSE: GHG), Boqii Holding Limited (NYSE: BQ), Helens International Holdings Company Limited (HKEx: 09869), Sinosoft Technology Group Limited (HKEx: 01297), Logory Logistics Technology Co., Ltd. (HKEx: 02482), and ZJLD Group Inc (HKEx: 06979). Mr. Li holds a bachelor's degree in accounting from School of Economics and Management at Tsinghua University and an MBA from the Kellogg School of Management at Northwestern University. Mr. Li is also a member of the Chinese Institute of Certified Public Accountants and the Certified General Accountants Association of Canada.

**Bin He.** Ms. He has served as our Chief Consumer Officer since February 2021 and Chief Marketing Officer from May 2018 to February 2021. Prior to that, Ms. He served as China Representative at Cartesian from June 2012 to May 2018. During her tenure at Cartesian, Ms. He also served as the head of marketing of Burger King China for two years. Prior to joining Cartesian, Ms. He worked as a Commercial Planning Assistant Manager at Bacardi Asia Pacific, where she was responsible for commercial and strategy planning and business development. Previously, Ms. He was with ChinaVest where she worked on cross-border mergers & acquisitions advisory and private placement. Ms. He holds a Bachelor of Management degree from Shanghai University of International Business and Economics and Douglas College in Canada and an MBA from Columbia Business School, Columbia University.

**Gregory Armstrong.** Mr. Armstrong has served as a member of our Board since May 2018. Mr. Armstrong currently is a partner at Cartesian and served as the CFO and director of Cartesian Growth Corporation, a special purpose acquisition company, from February 2021 to January 2023. Prior to joining Cartesian in 2006, Mr. Armstrong served as an Associate at AIGCP, where he covered investments ranging from natural resources to telecommunications, and worked at Broadview International, a mid-market mergers & acquisitions advisory firm, where he specialized in advising communications infrastructure companies. Mr. Armstrong holds a bachelor's degree in electrical engineering from Princeton University and an MBA from MIT Sloan School of Management.

**Paul Hong.** Mr. Hong has served as a member of our Board since May 2018. Mr. Hong currently is a partner at Cartesian. Mr. Hong also served as a director at Pangaea Logistics Solutions, Ltd., a provider of seaborne drybulk logistics and transportation services, from October 2014 to March 2021. Prior to joining Cartesian in 2007, Mr. Hong served as Senior Vice President and General Counsel of AIGCP and participated in the bulk of the firm's investments during his tenure. Prior to joining AIGCP, Mr. Hong practiced law in the corporate and tax departments of Kirkland & Ellis LLP where he specialized in private equity transactions. Mr. Hong holds an LL.M. in taxation from New York University School of Law, a J.D. degree from Columbia Law School, and a bachelor's degree in economics from Columbia College.

**Andrew Wehrley.** Mr. Wehrley has served as a member of our Board since February 2021. Mr. Wehrley currently serves as a Principal at Cartesian. Prior to joining Cartesian in 2010, Mr. Wehrley was a consultant at Bain & Company in South Africa and the United States, where he shaped international expansion strategies and reorganized operations for a variety of transnational clients. Prior to that, Mr. Wehrley served at Deutsche Bank and the Afghan Ministry of Commerce. Mr. Wehrley holds a bachelor's degree from the University of California, Los Angeles, an MBA from the Kellogg School of Management at Northwestern University, and a Master of Public Administration from the Kennedy School at Harvard University.

**Meizi Zhu.** Ms. Zhu has served as a member of our Board since May 2020. Ms. Zhu currently serves as a Director at Tencent Investment. Before joining Tencent Investment in 2015, Ms. Zhu was an Associate in A.T. Kearney (Shanghai) Management Consulting Co., Ltd., a consulting firm specialized in strategy projects in financial, auto and consumer industries, from September 2014 to August 2015. Ms. Zhu holds a bachelor's degree in biotechnology from Zhejiang University and an MBA from Columbia Business School.

**Eric Wu.** Mr. Wu has served as a member of our Board since February 2021. Mr. Wu currently serves as a Venture Partner of Sequoia Capital China. Mr. Wu is also an independent director at CooTek (Cayman) Inc. Prior to joining Sequoia Capital China in June 2019, Mr. Wu was a partner of Vision Knight Capital from April 2018 to June 2019 and the Chief Financial Officer at Plateno Hotels Group (formerly known as 7 Days Group Holdings Limited) from October 2007 to March 2018. Mr. Wu also worked at PricewaterhouseCoopers in the United States from May 2000 to February 2006 and later worked as a senior manager in the assurance department of PricewaterhouseCoopers Zhong Tian CPAs Limited Company from February 2006 to October 2007. Mr. Wu holds bachelor's degree in engineering economics from Shanghai Jiao Tong University and an MBA from Michigan State University.

**Rafael Odorizzi De Oliveira.** Mr. Odorizzi has served as a member of our Board since March 2022. Mr. Odorizzi is the President, Asia-Pacific of Restaurant Brands International (RBI). In this capacity, he oversees the APAC businesses of following brands: BURGER KING®, TIM HORTONS®, POPEYES®, and FIREHOUSE SUBS®. Mr. Odorizzi joined RBI in 2014 and has previously served as the Regional Vice- President, Burger King® for the EMEA region and held other strategic roles in RBI's Zug and Miami offices, including General Manager for the BK EMEA North Division, Head of operations for EMEA, and Director of Operations & Quality Assurance for Latin America. Prior to joining RBI, Mr. Odorizzi worked at Accenture, a strategy consulting firm. Mr. Odorizzi holds an MBA from the Kellogg School of Management at Northwestern University.

**Derek Cheung.** Mr. Cheung, who was the Chief Executive Officer and a Director of Silver Crest prior to the closing of the Business Combination, has served as a member of our Board since September 2022. Mr. Cheung has over 20 years of experience in private equity and investment banking. Since 2019, he has been a Managing Director at Ascendent Capital Partners, focused on global alternative investment opportunities. Previously, from 2013 to 2018, Mr. Cheung was the Chief Investment Officer at Verdant Capital Group Limited, a private investment firm based in Hong Kong, managing and overseeing a global portfolio of private equity, public equity and venture capital investments. During that time, he also served on the board of directors and as the responsible officer and the portfolio manager of Verdant Capital Management Limited, an asset management company licensed with the Securities and Futures Commission in Hong Kong, as well as the board of directors of Bosera Asset Management, one of the largest mutual fund companies in China. Prior to that, from 2008 to 2013, Mr. Cheung was an executive director of the Greater China private equity group at D. E. Shaw & Co, focused on China and overseas opportunities. Mr. Cheung started his career as a mergers and acquisitions banker in the New York office of Credit Suisse First Boston, where he advised major U.S. retail and consumer companies on their China acquisition strategies, before joining the Hong Kong office of J.P. Morgan, focused on Greater China mergers and acquisitions. Mr. Cheung received Bachelor of Science degrees in mathematics and economics from the Massachusetts Institute of Technology.

Other than Yongchen Lu, Dong Li, Bin He, Meizi Zhu and Eric Haibing Wu, who are based in mainland China, and Derek Cheung, who is based in Hong Kong, none of THIL's officers or directors are located in mainland China or Hong Kong.

## **B Compensation**

For the year ended December 31, 2022, we paid an aggregate of RMB4.94 million (US\$0.74 million) in cash and benefits to our executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC Subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.



### ***Employment Agreements and Indemnification Agreements***

We have entered into employment agreements with our executive officers. Each of our executive officers is employed for a continuous term, or a specified time period that will be automatically extended unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including, but not limited to, the committing of any serious or persistent breach or nonobservance of the terms and conditions of the employment, conviction of a criminal offense other than one which in the opinion of the Board does not affect the executive's position, willful disobedience of a lawful and reasonable order, misconduct being inconsistent with the due and faithful discharge of the executive officer's material duties, fraud or dishonesty, or habitual neglect of his or her duties. An executive officer may terminate his or her employment at any time with written notice.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information or trade secrets. Each executive officer has also agreed to disclose in confidence to us all inventions, intellectual and industry property rights and trade secrets that they made, discovered, conceived, developed or reduced to practice during the executive officer's employment with us and to assign to our company all of his or her associated titles, interests, patents, patent rights, copyrights, trade secret rights, trademarks, trademark rights, mask work rights and other intellectual property and rights anywhere in the world that the executive officer may solely or jointly conceive, invent, discover, reduce to practice, create, drive, develop or make, or cause to be conceived, invented, discovered, reduced to practice, created, driven, developed or made, during the period of the executive officer's employment with us that either are related to our business, actual or demonstrably anticipated research or development or any of our services being developed, manufactured, marketed or sold, or are related to the scope of the employment or make use of our resources. In addition, all executive officers have agreed to be bound by non-competition and non-solicitation restrictions set forth in their agreements. Each executive officer has agreed to devote all his or her working time and attention to our business and use best efforts to develop our business and interests. Moreover, each executive officer has agreed not to, for a certain period following the termination of his or her employment or the expiration of the employment agreement, carry on or be engaged, concerned or interested in, directly or indirectly, whether as shareholder, director, employee, partner or agent, or otherwise carry on, any business in direct competition with us, (ii) solicit or entice away any of our business partners, representatives or agents, or (iii) employ, solicit or entice away or attempt to employ, solicit or entice away any of our officers, managers, consultants or employees.

We have entered into indemnification agreements with our directors and executive officers, pursuant to which we have agreed to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or executive officer.

### **Share-based Compensation**

On March 19, 2019, the Board approved the 2019 Share Option Scheme to attract and retain key employees, which was amended and restated on the Closing Date in connection with the Business Combination. The maximum aggregate number of ordinary shares that may be issued under the Scheme is 14,486,152 (proportionally adjusted to reflect any share dividends, share splits, or similar transactions), of which 8,242,983 underlie outstanding options. The maximum aggregate number of ordinary shares that may be issued under the Scheme will be reduced by 2,128,595 if the number of company owned and operated stores store and franchise stores open and operating in mainland China, HKSAR and Macau (on or prior to August 31, 2023) is less than 495. Options under the plan will be granted in the form of individual unit, with each unit being equivalent to a fraction of an ordinary share equal to 14,486,152 divided by 50,000,000. The Company granted 7,194,000 units (equivalent to 2,084,268 ordinary shares) and 1,666,000 units (equivalent to 482,666 ordinary shares) the employees or directors during the years ended December 31, 2021 and 2022, respectively. As of December 31, 2022, 12,579,311 units (equivalent to 3,514,218 ordinary shares after share split) were exercisable.

The following paragraphs describe the principal terms of the Scheme.

*Plan administration.* The Scheme shall be subject to the administration of the Board, whose decision shall be final and binding, save as otherwise provided herein.

*Award agreements.* Awards granted under the Scheme are evidenced by a letter of offer from THIL and acceptance form from the grantee, which set forth the terms and conditions for each award, including, among others, the term of the award, the vesting schedule and the provisions that are applicable in the event that the grantee's employment or service terminates.

*Eligibility.* The plan administrator will select participants under the Scheme from key employees.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is specified in the relevant letter of offer.

*Exercise of Awards.* The plan administrator determines the exercise or purchase price, as applicable, for each award. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

*Transfer Restrictions.* Unless otherwise determined and approved by the Board, an award must be personal to the grantee and must not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any award. Any breach of the foregoing shall entitle THIL to cancel any outstanding option or part thereof granted to such grantee without any compensation.

*Termination and Amendment.* Unless terminated earlier, the plan has a term of ten years from its date of effectiveness. The Scheme may be altered in any respect by resolution of the Board, provided that the amended terms of the Scheme or the options shall still comply with the requirements of the Securities Act and that no such alteration shall operate to affect adversely the terms of issue of any option(s) granted or agreed to be granted prior to such alteration.

The following table summarizes, as of December 31, 2022, the number of units of options granted and outstanding under the Scheme.

Name	Unit Granted	Ordinary Shares Underlying Options	Exercise Price (US\$/Unit)	Date of Grant	Date of Expiration
Yongchen Lu	5,000,000	1,448,500	—	2018-05-01	2028-05-01
	5,000,000	1,448,500	0.2	2018-05-01	2028-05-01
	2,500,000	724,250	0.6	2021-04-01	2031-04-01
Bin He	3,500,000	1,013,950	0.2	2018-05-01	2028-05-01
	49,790	14,424	0.6	2021-02-01	2031-02-01
	31,613	9,158	1.2	2022-02-01	2032-02-01
Dong Li	2,000,000	579,400	0.6	2021-09-06	2031-09-06
	7,255	2,102	1.2	2022-02-01	2032-02-01
All directors and executive officers	18,088,658	5,240,284			

## C **Board Practices**

### **Committees of the Board**

We have established an audit committee, a compensation committee and a nominating and corporate governance committee under the Board and have adopted a charter for each of the three committees. Each committee's members and functions are described below.

*Audit Committee.* Our audit committee consists of Gregory Armstrong, Eric Haibing Wu and Derek Cheung, with Gregory Armstrong as the chair. The Board has determined that Gregory Armstrong, Eric Haibing Wu and Derek Cheung satisfy the “independence” requirements of Nasdaq, and Eric Haibing Wu and Derek Cheung meet the independence standards under Rule 10A-3 under the Exchange Act. Derek Cheung qualifies as an “audit committee financial expert” within the meaning of the SEC rules. The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting or replacing our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any audit problems or difficulties and management’s response and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- periodically reviewing and reassessing the adequacy of our audit committee charter;
- meeting periodically with the management, our internal auditor and our independent registered public accounting firm;
- reporting regularly to the Board;
- reviewing the adequacy and effectiveness of our accounting and integral control policies and procedures and any steps taken to monitor and control major financial risk exposure; and
- handling such other matters that are specifically delegated to our audit committee by the Board from time to time.

*Compensation Committee.* Our compensation committee consists of Gregory Armstrong, Andrew Wehrley and Derek Cheung, with Gregory Armstrong as the chair. Gregory Armstrong, Andrew Wehrley and Derek Cheung satisfy the “independence” requirements of Nasdaq. Our compensation committee assists the Board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our Chief Executive Officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the Board for its approval, the compensation for our Chief Executive Officer and other executive officers;
- reviewing the total compensation package for our employees and recommending any proposed changes to our management;
- reviewing and recommending to the Board with respect to the compensation of our directors;
- reviewing annually and administering all long-term incentive compensation or equity plans;
- selecting and receiving advice from compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person’s independence from management; and
- reviewing programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

*Nominating and Corporate Governance Committee.* Our nominating and corporate governance committee consists of Gregory Armstrong, Andrew Wehrley and Derek Cheung, with Gregory Armstrong as the chair. Gregory Armstrong, Andrew Wehrley and Derek Cheung satisfy the “independence” requirements of Nasdaq. The nominating and corporate governance committee assist the Board in selecting individuals qualified to become our directors and in determining the composition of the Board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or reelection to the Board or for appointment to fill any vacancy;
- reviewing annually with the Board its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- advising the Board periodically with respect to significant developments in the law and practice of corporate governance, as well as our compliance with applicable laws and regulations, and making recommendations to the Board on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

### ***Duties of Directors***

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our Board include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our register of members.

### ***Terms of Directors and Executive Officers***

Our officers are appointed by the Board and serve at the discretion of the Board, rather than for specific terms of office. The Board is authorized to appoint persons to the offices set forth in the THIL Articles as it deems appropriate.

## D **Employees**

As of December 31, 2022, we had 2,807 full-time employees and 2,332 part-time employees. The following table sets forth the number of our full-time employees categorized by function.

	As of December 31,	
	2022	
	Number	%
Operations	2,452	87.4 %
Sales and marketing	37	1.3 %
Research and innovation	19	0.7 %
Store development	87	3.1 %
Management and administration	212	7.6 %
<b>Total</b>	<b>2,807</b>	<b>100 %</b>

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses, share-based compensation and other incentives. In order to maintain a competitive edge, we will continue to focus on attracting and retaining qualified professionals by providing an incentive-based and market-driven compensation structure that rewards performance and results. In addition to on-the-job training, we regularly provide management, technology, regulatory and other training to our employees through internally developed training programs or professional consultants.

As required by PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We enter into employment agreements with our full-time employees that contain standard confidentiality and non-compete provisions. In addition to salaries and benefits, we provide bonuses for our employees. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes in the past. None of our employees are represented by labor unions.

## E **Share Ownership**

The following table shows the beneficial ownership of our ordinary shares as of the date of this Annual Report by:

- each person known by us to beneficially own more than 5% of the outstanding ordinary shares;
- each of our directors and executive officers; and
- all of our directors and executive officers as a group.

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Except as otherwise noted herein, the number and percentage of ordinary shares beneficially owned is determined in accordance with Rule 13d-3 of the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any ordinary shares as to which the holder has sole or shared voting power or investment power and also any ordinary shares which the holder has the right to acquire within 60 days through the exercise of any option, warrant or any other right. We have based percentage ownership in the table below on 160,348,112 ordinary shares outstanding as of the date of this Annual Report.

Name of Beneficial Owner	Number	Percentage
<b>5% or Greater Shareholders:</b>		
Pangaea Two Acquisition Holdings XXIIA Limited	57,002,004 <sup>(1)</sup>	35.6 %
Tencent Mobility Limited	19,783,010 <sup>(2)</sup>	12.3 %
SCC Growth VI Holdco D, Ltd.	14,503,032 <sup>(3)</sup>	9.0 %
Pangaea Three Acquisition Holdings IV, Limited	10,319,917 <sup>(4)</sup>	6.4 %
THC Hope IB Limited	8,242,983 <sup>(5)</sup>	5.1 %
<b>Directors and Executive Officers†:</b>		
Peter Yu	80,448,582 <sup>(6)</sup>	50.2 %
Yongchen Lu	* <sup>(7)</sup>	*
Dong Li	—	—
Bin He	* <sup>(8)</sup>	*
Gregory Armstrong	—	—
Paul Hong	—	—
Andrew Wehrley	—	—
Meizi Zhu	—	—
Eric Haibing Wu	—	—
Rafael Odorizzi De Oliveira	—	—
Derek Cheung	* <sup>(9)</sup>	*
All executive officers and directors as a group (eleven persons)	82,847,457	51.7 %

† Except as indicated otherwise below, the business address of our directors and executive officers is 2501 Central Plaza, 227 Huangpi North Road, Shanghai, People's Republic of China.

\* Less than 1%.

- (1) Represents 57,002,004 ordinary shares held by XXIIA, a company incorporated under the laws of the United Kingdom, not including the Option Shares acquirable by Sona. XXIIA is controlled by Pangaea Two, LP. The general partner of Pangaea Two, LP is Pangaea Two GP, LP. The General Partner of Pangaea Two GP, LP is Pangaea Two Admin GP, LLC. Cartesian Capital Group, LLC is the sole and managing member of Pangaea Two Admin GP. Peter Yu is a managing member of Cartesian. The business address of XXIIA is at 505 Fifth Avenue, 15th Floor, New York, NY 10017, USA.
- (2) Represents 19,783,010 ordinary shares held by Tencent Mobility Limited, a company limited by shares incorporated in Hong Kong and a wholly-owned subsidiary of Tencent Holdings Limited. Tencent Holdings Limited is a company listed on the Hong Kong Stock Exchange. The principal place of business in Hong Kong of Tencent Mobility Limited and Tencent Holdings Limited is 29/F., Three Pacific Place No. 1, Queen's Road East, Wanchai, Hong Kong.
- (3) Represents 14,503,032 ordinary shares held by SCC Growth VI Holdco D, Ltd. an exempted company incorporated under the laws of the Cayman Islands. SCC Growth VI Holdco D, Ltd. is wholly owned by Sequoia Capital China Growth Fund VI, L. P. The general partner of Sequoia Capital China Growth Fund VI, L. P. is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is wholly owned by SNP China Enterprises Limited, which is wholly owned by Mr. Neil Nanpeng Shen. The registered office of SCC Growth VI Holdco D, Ltd. is at PO Box 309 Umland House Grand Cayman, KY1-1104, Cayman Islands.

- (4) Represents 10,319,917 ordinary shares held by Holdings IV, an exempted company incorporated under the Laws of the Cayman Islands. Holdings IV is controlled by Pangaea Three -B, LP. Pangaea Three GP, LP is the general partner of Pangaea Three - B, LP. Pangaea Three Global GP, LLC is the general partner of Holdings IV GP, LP. Cartesian is the sole and managing member of d Pangaea Three Global GP, LLC. Peter Yu is a managing member of Cartesian. The business address of Holdings IV is 505 Fifth Avenue, 15th Floor, New York, NY 10017, USA.
- (5) Represents 8,242,983 ordinary shares held by THC Hope IB Limited, a trust established under a trust deed dated June 25, 2021 between THIL as the settlor and Futu Trustee Limited as trustee to hold securities on behalf of certain employees and members of management. Under the trust deed, an advisory committee is authorized by THIL from time to time to make all determination and provide investment directions and other directions to the trustee on behalf of the Board in relation to the trust fund. The business address of THC Hope IB Limited is 2501 Central Plaza, 227 Huangpi North Road, Shanghai, People's Republic of China.
- (6) Represents (i) 57,002,004 ordinary shares held by XXIIA (not including the Option Shares acquirable by Sona), (ii) 10,319,917 ordinary shares held by Holdings IV, (iii) 6,191,018 ordinary shares held by Pangaea Two Acquisition Holdings XXIII, Ltd., (iv) 4,759,477 Ordinary Shares held by Pangaea Two, LP, (v) 2,101,557 Ordinary Shares held by Pangaea Two Parallel, LP, (vi) 53,723 Ordinary Shares held by Pangaea Two Management, LP and (vii) 20,886 Ordinary Shares held by Pangaea Two GP, LP. XXIIA and Pangaea Two Acquisition Holdings XXIII, Ltd are controlled by Pangaea Two, LP. The general partner of Pangaea Two, LP and Pangaea Two Parallel, LP is Pangaea Two GP, LP. The general partner of Pangaea Two GP, LP and Pangaea Two Management, LP is Pangaea Two Admin GP, LLC. Holdings IV is controlled by Pangaea Three-B, LP. Pangaea Three GP, LP is the general partner of Pangaea Three-B, LP. Pangaea Three Global GP, LLC is the general partner of Pangaea Three GP, LP. Cartesian Capital Group, LLC is the sole and managing member of Pangaea Two Admin GP, LLC and Pangaea Three Global GP, LLC. The business address of the aforementioned entities is 505 Fifth Avenue, 15th Floor, New York, NY 10017, USA.
- (7) Represents ordinary shares held by L&L Tomorrow Holdings Limited, a British Virgin Islands company wholly owned by Mr. Yongchen Lu. The registered office of L&L Tomorrow Holdings Limited is P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.
- (8) Represents ordinary shares held by Lord Winterfell Limited, a British Virgin Islands company wholly owned by Ms. Bin He. The registered office of Lord Winterfell Limited is P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.
- (9) Represents ordinary shares held directly by Derek Cheung.

**F Disclosure of A Registrant's Action to Recover Erroneously Awarded Compensation**

Not applicable.

**ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A Major Shareholders**

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

**B Related Party Transactions**

**Employment Agreements**

See "Item 6. Directors, Senior Management and Employees—C. Board Practices—Employment Agreements and Indemnification Agreements."

### **Share Incentive Plan**

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share-based Compensation.”

### **Transactions with Other Related Parties**

#### **Contractual Arrangements with THRI**

In 2020, 2021 and 2022, THIL paid THRI continuing franchise fees in the amount of RMB5.1 million, RMB15.6 million and RMB31.9 million (US\$4.6 million), respectively, and upfront fees in the amount of RMB4.1 million, RMB24.3 million and RMB23.6 million (US\$3.4 million), respectively. THIL also paid consulting services fees to THRI of RMB0.2 million in 2020. In 2021, THIL provided consulting services to and collected fees from THRI of RMB0.4 million. The outstanding fees due to THRI were RMB3.6 million, RMB6.9 million and RMB10.4 million (US\$1.5 million) as of December 31, 2020, 2021 and 2022, respectively.

#### **Amended and Restated Master Development Agreement**

On June 11, 2018, THRI, THIL and THHK entered into a master development agreement, which was amended and restated by the A&R MDA, as amended. Certain provisions of the A&R MDA came into effect on the Closing Date. Pursuant to the A&R MDA, (i) THRI granted to THHK the exclusive right to develop, open and operate (through itself and approved subsidiaries), and to license franchisees to develop, open and operate, Tim Hortons restaurants in mainland China, Hong Kong and Macau (“the Territory”); THRI engages THHK to provide advertising, marketing, training, monitoring and development services and operational support to all Tim Hortons restaurants operating within the Territory to ensure the standards established by THRI and/or its affiliates from time to time as to quality of service, cleanliness, health and sanitation, requirements, specifications and procedures for Tim Hortons restaurants are complied with and maintained; (iii) THHK undertakes to secure and maintain in force in all material respects all licenses, permits and certificates relating to the operation of stores owned and operated by THIL, pay promptly or ensure payment of all material taxes and assessments when due and operate or ensure operation of stores owned and operated by THIL in compliance with all applicable Laws in all material respects and use commercially reasonable efforts to procure the same results with respect to franchise stores; (iv) THHK will develop and open for business and license franchisees to develop and open for business in compliance with the annual development schedule specified therein and at least 1,700 Tim Hortons restaurants by August 31, 2028; and (v) THRI will provide training, consulting and support services, and make certain resources available, to THHK.

Under the A&R MDA, THHK will pay THRI (i) an upfront franchise fee for each company owned and operated store and franchise store, and (ii) a monthly franchise fee for each company owned and operated store and franchise store, calculated as a specified percentage of the store’s monthly gross sales, depending on when the store is opened. In addition, for each company owned and operated store and franchise store, THHK will make a monthly contribution to an advertising fund maintained by THHK, in the amount of a percentage of the store’s monthly gross sales. In addition, for so long as THRI holds 1,239,906 ordinary shares (as adjusted, if necessary, to take into account any share splits, share dividends, share combinations and similar transactions), THRI will have the right (but not the obligation) to nominate one individual of its choosing for election to the Board.

The A&R MDA has an initial term of 20 years and will expire on June 11, 2038, subject to earlier termination in accordance with the terms contained therein. THHK has the option to extend the initial term for ten years, provided that certain conditions stated therein are met. THRI may terminate the A&R MDA unilaterally under certain circumstances, including failure by THHK to achieve development targets, failure to make payments in excess of \$25,000 or any other material breach of its obligations under the A&R MDA, in each case subject to the applicable cure periods.



### ***Amended and Restated Company Franchise Agreements***

On March 31, 2018, THRI, THHK and certain PRC Subsidiaries of THIL (the “Franchisees”) entered into a company franchise agreement, which was amended and restated on June 11, 2018 and further amended and restated on August 13, 2021 (the “A&R PRC CFA”). Pursuant to the A&R PRC CFA, THRI granted the Franchisees and approved subsidiaries a non-exclusive license to operate Tim Hortons restaurant in mainland China for a term of five to 20 years, subject to renewal and early termination. The A&R PRC CFA also (i) sets forth the operational standards, requirements and procedures of Tim Hortons restaurants, obligates the Franchisees to report its total restaurant sales, ticket count and comparative sales reports on a daily, weekly and monthly basis and other operating data and financial statements periodically, and gives THRI inspection and audit rights. THRI may terminate the A&R PRC CFA unilaterally under certain circumstances, including material breach by any Franchisee of its obligations under the A&R PRC CFA, subject to the applicable cure period.

On June 11, 2018, THRI and THHK entered into another company franchise agreement, which was amended and restated on August 13, 2021 (the “A&R HK CFA”), on substantially the same terms as the A&R PRC CFA. Pursuant to the A&R HK CFA, THHK and its approved subsidiaries have a non-exclusive license to operate Tim Hortons restaurant in Hong Kong and Macau for a term of five to 20 years.

### ***Other Related Party Transactions***

In 2020, 2021 and 2022, THIL purchased coffee beans from TDL Group Corp., an affiliate of THRI, in the amount of RMB8.9 million, RMB28.2 million and RMB49.1 million (US\$7.1 million), respectively. As of December 31, 2020, 2021 and 2022, RMB4.1 million, RMB7.2 million and RMB9.7 million (US\$1.4 million) due to TDL Group Corp was outstanding.

On December 2, 2021, Tim Hortons China entered into a Business Cooperation Agreement with Pangaea Data Tech (Shanghai) Co., Ltd., which is held 25% by Cartesian Capital Management, LLC, a wholly owned subsidiary of Cartesian Capital Group, LLC and 75% by Peng Zhang, an individual affiliated with Cartesian Capital Management, LLC. In 2022, THIL incurred service fees to Pangaea Data Tech (Shanghai) Co., Ltd. of RMB7.2 million (US\$1.0 million). As of December 31, 2022, RMB1.5 million (US\$213 thousand) due to Pangaea Data Tech (Shanghai) Co., Ltd. was outstanding.

In 2022, Cartesian paid travel and entertainment expenses relating to the Company’s directors on behalf of the Company in the amount of RMB1.9 million (US\$268 thousand). As of December 31, 2022, RMB0.9 million (US\$135 thousand) due to Cartesian was outstanding.

On March 9, 2022, THIL entered into a PIPE Subscription Agreement with each of THRI, Tencent Mobility Limited and TH China Partners Limited, an affiliate of Cartesian, pursuant to which each of THRI, Tencent Mobility Limited and TH China Partners Limited committed to subscribe for and purchase 1,000,000 ordinary shares for \$10.00 per share at the closing of the Business Combination on the same terms as other PIPE investors. Under the PIPE Subscription Agreement, THIL shall also issue to each PIPE investor that invested \$10 million or more an additional 200,000 ordinary shares and 400,000 private placement warrants upon the closing of the PIPE investment for no consideration. On September 28, 2022, THIL issued to each of THRI, Tencent Mobility Limited and TH China Partners Limited 1,200,000 ordinary shares and 400,000 private placement warrants for an aggregate consideration of \$10,000,000 each pursuant to the PIPE Subscription Agreement.

On March 30, 2023, THIL entered into the Share Purchase Agreement with Holdings IV, Popeyes China and PLK APAC Pte. Ltd. Holdings IV is controlled by Pangaea Three-B, LP. Pangaea Three GP, LP is the general partner of Pangaea Three-B, LP. Pangaea Three Global GP, LLC is the general partner of Holdings IV GP, LP. Cartesian is the sole and managing member of d Pangaea Three Global GP, LLC. Peter Yu is a managing member of Cartesian. Pursuant to the Share Purchase Agreement, THIL issued 10,319,917 ordinary shares to Holdings IV and 1,146,657 ordinary shares to PLK APAC Pte. Ltd. For more details on the Share Purchase Agreement, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results —Recent Developments.”

### **C Interests of Experts and Counsel**

Not applicable.

## ITEM 8 FINANCIAL INFORMATION

### A Consolidated Statements and Other Financial Information

We have appended audited consolidated financial statements filed as part of this Annual Report.

#### *Legal Proceedings*

We are currently not involved in any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

#### *Dividend Policy*

As of the date of this Annual Report, neither our company nor any of our subsidiaries has made any dividends or distributions to its parent company or any investor. We plan to distribute cash dividends after we become profitable. Any determination to pay dividends in the future will be at the discretion of the Board.

RMB is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC Subsidiaries to use their potential future RMB revenues to pay dividends to THIL. Restrictions on our PRC Subsidiaries' ability to pay dividends to an offshore entity primarily include: (i) the PRC Subsidiaries may pay dividends only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with PRC accounting standards and regulations; (ii) each of the PRC Subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital; (iii) the PRC Subsidiaries are required to complete certain procedural requirements related to foreign exchange control in order to make dividend payments in foreign currencies; and (iv) a withholding tax, at the rate of 10% or lower, is payable by the PRC Subsidiary upon dividend remittance. Such restrictions under current PRC laws and regulations, or any new restrictions that could be imposed by new PRC laws and regulations that may come into effect in the future, could have a material and adverse effect on our ability to distribute profits to our shareholders. As of the date of this Annual Report, neither our company nor any of our subsidiaries has made any dividends or distributions to its parent company or any U.S. investor. We are not subject to any restrictions under Cayman Islands law on dividend distribution to our shareholders and currently intends to distribute cash dividends after we become profitable.

### B Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this Annual Report.

## ITEM 9 THE OFFER AND LISTING

### A Offering and Listing Details

Our ordinary shares and warrants have been listed on Nasdaq since September 29, 2022 under the symbols "THCH" and "THCHW," respectively.

### B Plan of Distribution

Not applicable.

### C Markets

See "—A. Offer and Listing Details."

**D Selling Shareholders**

Not applicable.

**E Dilution**

Not applicable.

**F Expenses of the Issue**

Not applicable.

**ITEM 10 ADDITIONAL INFORMATION**

**A Share Capital**

Not applicable.

**B Memorandum and Articles of Association**

The following is a description of the material terms of our share capital and the THIL Articles. The following descriptions are qualified by reference to the THIL Articles.

***Ordinary Shares***

*Voting Rights*

Each registered holder of our ordinary shares is entitled to one vote for each ordinary share of which he, she or it is the registered holder, subject to any rights and restrictions for the time being attached to any share. Unless specified in the THIL Articles, or as required by applicable provisions of the Cayman Companies Act or applicable stock exchange rules, an ordinary resolution, being, the affirmative vote of shareholders holding a majority of the shares which, being so entitled, are voted thereon in person or by proxy at a quorate general meeting of the Company or a unanimous written resolution of all of our shareholders entitled to vote at a general meeting of the Company, is required to approve any such matter voted on by our shareholders. Approval of certain actions, such as amending the THIL Articles, reducing our share capital and changing our name, will require a special resolution under Cayman Islands law and pursuant to the THIL Articles, being the affirmative vote of shareholders holding a majority of not less than two-thirds of the shares which, being so entitled, are voted thereon in person or by proxy at a quorate general meeting of the Company or a unanimous written resolution of all of our shareholders entitled to vote at a general meeting of the Company.

*Dividend Rights*

We have not paid any cash dividends on our ordinary shares to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of the Board.

*Liquidation Rights*

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of our ordinary shares will be entitled to participate in any surplus assets in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up or the date of the return of capital, as the case may be, on the ordinary shares held by them respectively.

### *Registration Rights*

Certain of our shareholders are entitled to certain registration rights, pursuant to which we have agreed to provide customary demand registration rights and “piggyback” registration rights with respect to such registrable securities and, subject to certain circumstances, to file a resale shelf registration statement to register the resale under the Securities Act of such registrable securities.

### *Shareholder Meetings*

One or more shareholders holding at least a majority of the paid up voting share capital of our company present in person or by proxy or if a corporation or other non-natural person by its duly authorized representative or proxy and entitled to vote at that meeting shall form a quorum. In accordance with Nasdaq corporate governance requirements, we are not required to hold an annual general meeting until one year after our first fiscal year end following our listing on Nasdaq. There is no requirement under the Cayman Companies Act for us to hold annual or extraordinary general meetings.

### **Warrants**

#### *Public Warrants*

Each whole warrant entitles the registered holder to purchase one ordinary share at a price of \$11.50 per share, subject to adjustment as discussed below, at any time commencing on the date that is 30 days after the closing of the Business Combination, except as discussed in the immediately succeeding paragraph. Pursuant to the A&R Warrant Agreement, a warrant holder may exercise its warrants only for a whole number of ordinary shares. The warrants will expire on September 28, 2027, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any ordinary shares pursuant to the exercise of a warrant or settle such warrant exercise unless the Resale Registration Statement is then effective and a prospectus relating thereto is current, subject to us satisfying our obligations described below with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable and we will not be obligated to issue ordinary shares upon exercise of a warrant unless the ordinary shares issuable upon such warrant exercise have been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant. The Resale Registration Statement, which registers, among other things, up to 22,900,000 of our ordinary shares issuable upon the exercise of warrants, was filed with the SEC on October 13, 2022 and declared effective by the SEC on December 22, 2022. In addition, if the ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of public warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

#### *Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$18.00*

Once the warrants become exercisable, we may redeem the outstanding warrants (except as described herein with respect to the warrants held by the Initial Holders and their permitted transferees):

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption to each warrant holder; and

- if, and only if, the last reported sales price of our ordinary shares equals or exceeds \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Anti-dilution Adjustments”) for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders.

We will not redeem the warrants as described above unless a registration statement under the Securities Act covering the issuance of ordinary shares issuable upon exercise of the warrants is then effective and a current prospectus relating to those ordinary shares is available throughout the 30-day redemption period. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criteria discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of the ordinary shares may fall below the \$18.00 redemption trigger price (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Anti-dilution Adjustments”) as well as the \$11.50 (for whole shares) warrant exercise price after the redemption notice is issued.

#### *Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$10.00*

Once the warrants become exercisable, we may redeem the outstanding warrants:

- in whole and not in part;
- at a price of \$0.10 per warrant upon a minimum of 30 days’ prior written notice of redemption, provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the fair market value of the ordinary shares, except as otherwise described below;
- if, and only if, the last reported sales price of our ordinary shares equals or exceeds \$10.00 per public share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Anti-dilution Adjustments”) for any 20 trading days within the 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders; and
- if the last reported sales price of our ordinary shares for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders is less than \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Anti-dilution Adjustments”), the private placement warrants must also be concurrently called for redemption on the same terms as the outstanding public warrants, as described above.

Beginning on the date the notice of redemption is given until the warrants are redeemed or exercised, holders may elect to exercise their warrants on a cashless basis. The numbers in the table below represent the number of ordinary shares that a warrant holder will receive upon such cashless exercise in connection with a redemption by us pursuant to this redemption feature, based on the “fair value” of the ordinary shares on the corresponding redemption date (assuming holders elect to exercise their warrants and such warrants are not redeemed for \$0.10 per warrant), determined for these purposes based on the volume weighted average price of the ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the warrant holders, and the number of months that the corresponding redemption date precedes the expiration date of the warrants, each as set forth in the table below. We will provide our warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends.

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The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a warrant or the exercise price of a warrant is adjusted as set forth under the heading “— Anti-dilution Adjustments” below. If the number of ordinary shares issuable upon exercise of a warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the number of shares deliverable upon exercise of a warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a warrant as so adjusted. The number of shares in the table below shall be adjusted in the same manner and at the same time as the number of shares issuable upon exercise of a warrant. If the exercise price of a warrant is adjusted in the case of an adjustment pursuant to the second paragraph under the heading “— Anti-dilution Adjustments” below, the adjusted share prices in the column headings will equal the unadjusted share price less the decrease in the exercise price of a warrant pursuant to such exercise price adjustment. In no event will the number of shares issued in connection with such a warrant exercise exceed 0.361 ordinary shares per warrant (subject to adjustment).

Redemption Date (period to expiration of Warrants)	Fair Market Value of Ordinary Shares								
	≤\$10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	≥18.00
60 months	0.261	0.281	0.297	0.311	0.324	0.337	0.348	0.358	0.361
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.361
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.361
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.361
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.361
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.361
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.361
39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.361
36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.361
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.361
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.361
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.361
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.361
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.361
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.361
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.361
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.361
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.361
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.361
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of ordinary shares to be issued for each warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the volume weighted average price of the ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.277 ordinary shares for each whole warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the volume weighted average price of the ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.298 ordinary share for each whole warrant. Finally, as reflected in the table above, if the warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature.

This redemption feature is structured to allow for all of the outstanding warrants to be redeemed when the ordinary shares are trading at or above \$10.00 per public share, which may be at a time when the trading price of the ordinary shares is below the exercise price of the warrants. We have established this redemption feature to provide us with the flexibility to redeem the warrants without the warrants having to reach the \$18.00 per share threshold set forth above under “— Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$18.00.” Holders choosing to exercise their warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares for their warrants based on an option pricing model with a fixed volatility input as of the date of this Prospectus/Offer to Exchange. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding warrants, and therefore have certainty as to our capital structure as the warrants would no longer be outstanding and would have been exercised or redeemed. We will be required to pay the applicable redemption price to warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the warrants if we determine it is in our best interest to do so. As such, we would redeem the warrants in this manner when we believe it is in our best interest to update our capital structure to remove the warrants and pay the redemption price to the warrant holders.

If we choose to redeem the warrants when ordinary shares are trading at a price below the exercise price of the warrants, this could result in the warrant holders receiving fewer ordinary shares than they would have received if they had chosen to wait to exercise their warrants for ordinary shares if and when such ordinary shares were trading at a price higher than the exercise price of \$11.50 per share.

No fractional ordinary shares will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of ordinary shares to be issued to the holder.

#### *Redemption Procedures*

A holder of a warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 9.8% (or such other amount as a holder may specify) of the ordinary shares issued and outstanding immediately after giving effect to such exercise.

#### *Anti-dilution Adjustments*

If the number of outstanding ordinary shares is increased by a capitalization or share dividend paid in ordinary shares to all or substantially all holders of ordinary shares, or by a split-up of ordinary shares or other similar event, then, on the effective date of such capitalization or share dividend, split-up or similar event, the number of ordinary shares issuable upon the exercise of each warrant will be increased in proportion to such increase in the outstanding ordinary shares. A rights offering made to all or substantially all holders of ordinary shares entitling holders to purchase ordinary shares at a price less than the “historical fair market value” (as defined below) will be deemed a capitalization of a number of ordinary shares equal to the product of (i) the number of ordinary shares actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for ordinary shares) and (ii) one, minus the quotient of (x) the price per ordinary share paid in such rights offering and (y) the historical fair market value. For these purposes, (i) if the rights offering is for securities convertible into or exercisable for ordinary shares, in determining the price payable for the ordinary shares, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) “historical fair market value” means the volume weighted average price of the ordinary shares as reported during the 10 trading day period ending on the trading day prior to the first date on which the ordinary shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights. No ordinary shares shall be issued at less than their par value.

In addition, if we, at any time while the warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all of the holders of our ordinary shares on account of such ordinary shares (or other securities into which the warrants are convertible), other than (a) as described above, or (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on our ordinary shares during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 per share (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of ordinary shares issuable upon the exercise of each warrant) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each ordinary share in respect of such event.

If the number of outstanding ordinary shares is decreased by a consolidation, combination or reclassification of ordinary shares or other similar event, then, on the effective date of such consolidation, combination, reclassification or similar event, the number of ordinary shares issuable upon the exercise of each warrant will be decreased in proportion to such decrease in outstanding ordinary shares.

Whenever the number of ordinary shares purchasable upon the exercise of the warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of ordinary shares purchasable upon the exercise of the warrants immediately prior to such adjustment and (y) the denominator of which will be the number of ordinary shares so purchasable immediately thereafter.



In case of any reclassification or reorganization of the outstanding ordinary shares (other than those described above or that solely affects the par value of such ordinary shares), or in the case of any merger or consolidation of us with or into another corporation or entity (other than a consolidation or merger in which we are the continuing corporation or company and that does not result in any reclassification or reorganization of our outstanding ordinary shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of ordinary shares immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of ordinary shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders under circumstances in which, upon the completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of our issued and outstanding ordinary shares, the holder of a warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a shareholder if such warrant holder had exercised the warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the ordinary shares held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustment (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the A&R Warrant Agreement. If less than 70% of the consideration receivable by the holders of ordinary shares in such a transaction is payable in the form of ordinary shares in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within thirty days following public disclosure of the consummation of such applicable event, the warrant exercise price will be reduced as specified in the A&R Warrant Agreement based on the Black-Scholes Warrant Value (as defined in the A&R Warrant Agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the warrants otherwise do not receive the full potential value of the warrants.

The A&R Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correcting any mistake or defective provision, (ii) amending the definition of "Ordinary Cash Dividend" as contemplated by and in accordance with the A&R Warrant Agreement or (iii) adding or changing any provisions with respect to matters or questions arising under the A&R Warrant Agreement as the parties to the A&R Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the warrants. All other modifications or amendments shall require the vote or written consent of the registered holders of 50% of the then-outstanding public warrants. Notwithstanding the foregoing, the Company may lower the warrant exercise price or extend the duration of the exercise period without the consent of warrant holders.

You should review a copy of the A&R Warrant Agreement for a complete description of the terms and conditions applicable to the warrants.

The warrant holders do not have the rights or privileges of holders of ordinary shares and any voting rights until they exercise their warrants and receive ordinary shares. After the issuance of ordinary shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by holders of ordinary shares.

We have agreed that, subject to applicable law, any action, proceeding or claim against us arising out of or relating in any way to the A&R Warrant Agreement will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or claim. This provision applies to claims under the Securities Act but does not apply to suits brought to enforce any liability or duty created by the Exchange Act or any claim for which the federal district courts of the United States of America are the sole and exclusive forum.

#### *Private Placement Warrants*

Except as described below, the private placement warrants have terms and provisions that are identical to the public warrants.

The private placement warrants will not be redeemable by us (except as described under “— Public Warrants — Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$10.00”) so long as they are held by the Initial Holders or their permitted transferees (except as otherwise set forth herein). In addition, the ordinary shares underlying the warrants held by the permitted transferees of the Sponsor are subject to lock-up restrictions pursuant to the Sponsor Lock-Up Agreement with between THIL and the Sponsor, dated August 13, 2021.

The Initial Holders, or their permitted transferees, have the option to exercise the warrants on a cashless basis. If the private placement warrants are held by holders other than the Initial Holders or their permitted transferees, the private placement warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the public warrants. Any amendment to the terms of the private placement warrants or any provision of the A&R Warrant Agreement with respect to the private placement warrants will require a vote of holders of at least 50% of the number of the then-outstanding private placement warrants.

Except as described above under “— Public Warrants — Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$10.00,” if holders of the private placement warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its private placement warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the private placement warrants, multiplied by the excess of the “sponsor exercise fair market value” (as defined below) over the exercise price of the private placement warrants by (y) the sponsor fair market value. For these purposes, the “sponsor exercise fair market value” means the average last reported closing price of our ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

### **C Material Contracts**

#### ***Merger Agreement***

On August 13, 2021, THIL, Silver Crest and Merger Sub entered into an Agreement and Plan of Merger, which was subsequently amended on January 30, 2022, March 9, 2022, June 27, 2022 and August 30, 2022, in each case by and among Silver Crest, THIL and Merger Sub (collectively, the “Merger Agreement”). Pursuant to the Merger Agreement, Merger Sub merged with and into Silver Crest (the “First Merger”), with Silver Crest surviving the First Merger as a wholly owned subsidiary of THIL (the “Surviving Entity”). Immediately following the consummation of the First Merger, the Surviving Entity merged with and into THIL (the “Second Merger”), with THIL surviving the Second Merger. As a result, the shareholders of Silver Crest became shareholders of THIL. Immediately prior to the effective time of the First Merger (the “First Effective Time”), THIL effected a share split of each ordinary share in accordance with the terms of the Merger Agreement (the “Share Split”). Pursuant to the Merger Agreement, (i) immediately prior to the First Effective Time, each Class B ordinary share of Silver Crest, par value \$0.0001 per share (“Silver Crest Class B Shares”), outstanding immediately prior to the First Effective Time was automatically converted into one Class A ordinary share of Silver Crest, par value \$0.0001 per share (“Silver Crest Class A Shares”) and, after giving effect to such automatic conversion, at the First Effective Time and as a result of the First Merger, each Silver Crest Class A Share outstanding immediately prior to the First Effective Time was automatically converted into the right of the holder thereof to receive one ordinary share, after giving effect to the Share Split; (ii) each issued and outstanding warrant to purchase Silver Crest Class A Shares was assumed by THIL and converted into a corresponding warrant to purchase ordinary share; and (iii) at the effective time of the Second Merger (the “Second Effective Time”) and as a result of the Second Merger, each ordinary share of the Surviving Entity issued and outstanding immediately prior to the Second Effective Time (all such ordinary shares being held by THIL) was automatically cancelled and extinguished without any conversion thereof or payment therefor.

### ***Subscription Agreements***

On March 9, 2022, THIL entered into subscription agreements with certain investors (the “PIPE Investors”), pursuant to which the PIPE Investors committed to subscribe for and purchase, in the aggregate, 4,450,000 THIL ordinary shares for \$10 per share, for an aggregate purchase price equal to \$44,500,000 at the closing of the Business Combination on the same terms (the “PIPE Investment”). In addition, THIL will issue to each PIPE Investor who agrees to pay a purchase price of at least \$10,000,000 an additional 200,000 ordinary shares and 400,000 warrants upon the closing of the PIPE Investment for no consideration. Pursuant to the subscription agreements, the obligations of the parties to consummate the PIPE Investment are subject to the satisfaction or waiver of certain customary closing conditions of the respective parties, including, among others, (i) the absence of a legal prohibition on consummating the PIPE Investment, (ii) all conditions precedent under the Merger Agreement having been satisfied or waived (other than those to be satisfied at the closing of the Business Combination), (iii) the accuracy of representations and warranties in all material respects and (iv) material compliance with covenants. On the Closing Date and in connection with the closing of the Business Combination, THIL issued an aggregate of 5,050,000 ordinary shares and 1,200,000 warrants to the PIPE Investors.

### ***Convertible Notes***

For a detailed description, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Convertible Notes” and “Item 3. Key Information—D. Risk Factors—Risks Related to THIL’s Business and Industry—Our convertible notes may impact our financial results, result in the dilution of our shareholders, adversely affect our liquidity, create downward pressure on the price of our securities, and restrict our ability to raise additional capital or take advantage of future opportunities.”

### ***Option Agreement***

On the Closing Date, THIL, Pangaea Two Acquisition Holdings XXIIB Limited (“XXIIB”) and XXIIA, on the one hand, and Sona, on the other hand, entered into an option agreement (the “Option Agreement”) as contemplated by the Convertible Note Purchase Agreement among THIL, XXIIA and Sona and a Side Agreement to the Convertible Note Purchase Agreement, dated as of March 9, 2022, among Sona, Sunrise and THIL, pursuant to which Sona agreed to replace Sunrise as the subscriber of 200,000 of THIL’s ordinary shares held by XXIIA that may be acquired by Sona through its exercise of the option to purchase such shares at its discretion at a purchase price of \$11.50 per share, subject to adjustment (the “Option Shares”). Pursuant to the Option Agreement, upon the terms and subject to the conditions set forth therein, commencing on the Closing Date and terminating at the earlier of (i) 5:00 p.m., New York City time, on the date that is five years after the Closing Date and (ii) the liquidation of THIL in accordance with the THIL Articles (the “Option Expiration Date”), Sona shall have the option to acquire, at its discretion, 200,000 Option Shares from XXIIB at a purchase price of \$11.50 per share, subject to adjustments set forth in the A&R Warrant Agreement. The Option Expiration Date will automatically be adjusted on the same terms and subject to the same conditions if the expiration date of the warrants issued pursuant to the A&R Warrant Agreement is adjusted, except with respect to such adjustments resulting from the redemption of the warrants. Prior to the Option Expiration Date, Sona may exercise the options by paying the purchase price in cash or by forfeiting additional options for that number of Option Shares equal to the quotient obtained by dividing (i) the product of the number of Option Shares, multiplied by the excess of the average last reported sale price of THIL’s ordinary shares for the ten trading days ending on the third trading day prior to the date on which the exercise notice is sent to XXIIB and XXIIA (the “Investor Exercise Fair Market Value”) over the \$11.50 per share purchase price, as adjusted, by (ii) the Investor Exercise Fair Market Value. Under the Option Agreement, if XXIIA directly holds the Option Shares after the Closing Date, at the option of XXIIA, XXIIB shall assign all of its rights and obligations thereunder to XXIIA upon the receipt of a written notice in respect of the assignment issued by XXIIA. In addition, XXIIA may cancel such options at a price of \$0.01 per Option Share, at its discretion and upon no less than 30 days’ notice to Sona, if the last reported sales price of THIL’s ordinary shares has been at least \$18.00 per share on each of 20 trading days within any 30 trading-day period commencing on the Closing Date and ending on the third trading day prior to the date on which the notice of cancellation is given.

### ***Equity Support Agreement***

For a detailed description, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Equity Support Agreement.”

### ***Committed Equity Facility***

For a detailed description, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Committed Equity Facility.”

### ***Share Purchase Agreement and Popeyes MDA***

For a detailed description, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Recent Developments.”

### **D Exchange Controls**

See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters.”

### **E Taxation**

The following summary of Cayman Islands, the PRC and United States federal income tax consequences of an investment in our ordinary shares or warrants is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ordinary shares, such as the tax consequences under state, local and other tax laws, or tax laws of jurisdictions other than the Cayman Islands, the PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Cayman) LLP, our Cayman Islands counsel. To the extent that the discussion relates to matters of the PRC tax law, it represents the opinion of Han Kun Law Offices, our PRC counsel.

#### ***Cayman Islands Taxation***

The following is a discussion of certain Cayman Islands income tax consequences of an investment in our ordinary shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended to be tax advice, does not consider any investor’s particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of dividends and capital in respect of our ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of our ordinary shares, as the case may be, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of ordinary shares or on an instrument of transfer in respect of an ordinary share.

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has received an undertaking from the Governor in Cabinet of the Cayman Islands in substantially the following form:

The Tax Concessions Law  
Undertaking as to Tax Concessions

In accordance with the Tax Concessions Law the following undertaking is given to  
TH International Limited “the Company”

(a) That no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable

- (i) on or in respect of the shares, debentures or other obligations of the Company; or
- (ii) by way of the withholding in whole or part, of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of TWENTY (20) years from the 11th day of May 2018.

### **PRC Taxation**

Under the PRC EIT Law, which became effective on January 1, 2008 and was amended on December 29, 2018, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules to the PRC EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

In addition, in April 2009, the SAT issued the Circular on Issues Relating to the Identification of PRC-controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the De Facto Standards of Organizational Management, known as the SAT Circular 82, which specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: (a) senior management personnel and core management departments that are responsible for daily production, operation and management; (b) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) key properties, accounting books, company seal, minutes of board meetings and shareholders’ meetings; and (d) half or more of the senior management or directors having voting rights.

Further to SAT Circular 82, the SAT issued Administrative Measures for Income Tax on PRC-controlled Overseas Registered Resident Enterprises (Trial Implementation), known as the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. Our company is incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. As such, we do not believe that our company meets all of the conditions above or is a PRC resident enterprise for PRC tax purposes. For the same reasons, we believe our other offshore entities are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with our position. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders if such dividends are deemed to be sourced within the PRC. In addition, non-PRC resident enterprise shareholders may be subject to PRC tax on gains realized on the sale or other disposition of ordinary shares at a rate of 10%, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us) if such dividends or gains are deemed to be sourced within the PRC. These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise.

Provided that our company is not deemed to be a PRC resident enterprise, holders of our ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares. However, under the Bulletin on Issuers of Enterprise Income Tax on Indirect Transfer of Assets by Non-PRC Resident Enterprises (the “Bulletin 7”) issued by the SAT on February 3, 2015 and amended on October 17, 2017 and December 29, 2017, where a non-resident enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee, or the PRC entity which directly owns such taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under the Bulletin 7, and we may be required to expend valuable resources to comply with the Bulletin 7, or to establish that we should not be taxed under these circulars.

### ***United States Federal Income Tax Considerations***

The following discussion is a summary of United States federal income tax considerations generally applicable to an investment in our ordinary shares and warrants (together, our “securities”) by a U.S. Holder (as defined below). This discussion is based on the federal income tax laws of the United States as of the date of this annual report, including the United States Internal Revenue Code of 1986, as amended, (the “Code”), existing and proposed United States Treasury Regulations promulgated thereunder, judicial authority, published administrative positions of the United States Internal Revenue Service (the “IRS”), and other applicable authorities, all as of the date of this annual report. All of the foregoing authorities are subject to change, which change could apply retroactively and could significantly affect the tax consequences described below. We have not sought, nor do we intend to seek, any ruling from the IRS with respect to the United States federal income tax consequences described below, and there can be no assurance that the IRS will not take, and a court would sustain, a contrary position. This discussion, moreover, does not address the United States federal estate, gift, Medicare, and alternative minimum tax or other non-income tax considerations, or any state, local or non-United States tax considerations, relating to an investment in our ordinary shares and warrants.

Except as specifically described below, this discussion does not address any tax consequences or reporting obligations that may be applicable to persons to the extent such tax consequences or reporting obligations arise from holding our ordinary shares and warrants through a bank, financial institution or other entity, or a branch thereof, located, organized or resident outside the United States and does not describe any tax considerations arising in respect of the Foreign Account Tax Compliance Act (“FATCA”).

This discussion applies only to a U.S. Holder (as defined below) that holds our ordinary shares and warrants as capital assets for United States federal income tax purposes (generally, property held for investment). The discussion neither addresses the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations, such as:

- banks and certain other financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- controlled foreign corporations;
- “qualified foreign pension funds” (within the meaning of Section 897(l)(2) of the Code) and entities whose interests are held by qualified foreign pension funds;
- dealers, brokers or traders in securities, commodities or foreign currencies;

- persons that use or are required to use a mark-to-market method of accounting;
- accrual method taxpayers that file applicable financial statements as described in Section 451(b) of the Code;
- certain former citizens or residents of the United States subject to Section 877 of the Code;
- entities subject to the United States anti-inversion rules;
- tax-exempt organizations and entities;
- individual retirement accounts and Roth IRAs;
- S corporations;
- PFICs or their stockholders;
- persons whose functional currency is other than the United States dollar;
- persons holding ordinary shares or warrants as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own ordinary shares or warrants representing 5% or more of our total voting power or value;
- persons who acquired ordinary shares or warrants pursuant to the exercise of an employee stock option or otherwise as compensation;
- partnerships or other pass-through entities, or persons holding ordinary shares or warrants through such entities;
- persons required to accelerate the recognition of any item of gross income with respect to our ordinary shares or warrants as a result of such income being recognized on an applicable financial statement; or
- non-U.S. Holders.

This discussion does not consider the U.S. federal income tax treatment of partnerships or other pass-through entities or arrangements or persons that hold our ordinary shares or warrants through such entities. If a partnership (including an entity or arrangement treated as a partnership for United States federal income tax purposes) holds our ordinary shares or warrants, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partner and the partnership. A partnership or partner in a partnership holding our ordinary shares or warrants should consult its tax advisors regarding the tax consequences of investing in and holding our ordinary shares or warrants.

**THE FOLLOWING DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX LAWS OR THE LAWS OF ANY STATE, LOCAL OR NON-UNITED STATES TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

For purposes of the discussion below, a “U.S. Holder” is a beneficial owner of our ordinary shares or warrants that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity that is treated as a corporation for U.S. federal income tax purposes) that is created or organized (or treated as created or organized) in or under the laws of the U.S. or any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the administration of such trust and one or more U.S. persons (within the meaning of the Code) have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person.

### **Dividends and Other Distributions on our Ordinary Shares**

Subject to the PFIC rules discussed below, the gross amount of any distributions we make to you with respect to our ordinary shares (without reduction for any amounts withheld) generally will be includible in a U.S. Holder’s gross income as foreign source dividend income on the date of receipt by such U.S. Holder, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Any such dividends will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from other United States corporations. To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under United States federal income tax principles), such excess amount will be treated first as a tax-free return of a U.S. Holder’s tax basis in its ordinary shares, and then, to the extent such excess amount exceeds such U.S. Holder’s tax basis in its ordinary shares, as capital gain. However, we currently do not, and we do not intend to, calculate our earnings and profits under United States federal income tax principles. Therefore, a U.S. Holder should expect that any distribution will generally be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be taxed at the lower capital gains rate applicable to “qualified dividend income,” provided that (1) our ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefits of a qualifying income tax treaty with the United States, (2) we are neither a PFIC nor treated as such with respect to you (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year, and (3) the ordinary shares are held for a holding period of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Ordinary shares are generally considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on Nasdaq, as our ordinary shares currently are. If we are treated as a “resident enterprise” for PRC tax purposes, we may be eligible for the benefits of the income tax treaty between the United States and the PRC (the “Treaty”). U.S. Holders should consult their own tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to our ordinary shares.

Any non-U.S. withholding tax (including any PRC withholding tax paid (or deemed paid) by a United States Holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. Any dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends distributed by us with respect to ordinary shares will generally constitute “passive category income.”

The rules relating to the determination of the foreign tax credit are complex and United States Holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances, including the effects of any applicable income tax treaties.



### **Constructive Dividends on our Ordinary Shares or Warrants**

If the exercise price of our warrants is adjusted in certain circumstances (or in certain circumstances, there is a failure to make adjustments or a failure to make adequate adjustments), that adjustment (or failure to adjust) may result in the deemed payment of a taxable dividend to a U.S. Holder of our ordinary shares or warrants. Any such constructive dividend will be taxable generally as described above under “—Dividends and Other Distributions on Ordinary Shares.” Generally, a U.S. Holder’s tax basis in our ordinary shares or warrants will be increased to the extent of any such constructive dividend. U.S. Holders should consult their tax advisers regarding the proper United States federal income tax treatment of any adjustments to (or failure to adjust, or adjust adequately) the exercise price of the warrants.

### **Sale, Exchange, Redemption or Other Taxable Disposition of our Securities**

Subject to the PFIC rules discussed below, upon a sale or other taxable disposition of our securities, a U.S. Holder will generally recognize capital gain or loss. The amount of gain or loss recognized will generally be equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition and (ii) the U.S. Holder’s adjusted tax basis in our securities.

Under tax law currently in effect long-term capital gains recognized by non-corporate U.S. Holders are generally subject to United States federal income tax at a reduced rate of tax. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder’s holding period for the ordinary shares or warrants exceeds one year. The deductibility of capital losses is subject to various limitations.

Any gain or loss that a U.S. Holder recognizes on a disposition of our ordinary shares or warrants generally will be treated as United States-source income or loss for foreign tax credit limitation purposes. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax is imposed on gain from the disposition of our ordinary shares or warrants, then a U.S. Holder that is eligible for the benefits of the Treaty may elect to treat the gain as PRC-source income for foreign tax credit purposes. If such an election is made, the gain so treated will be treated as a separate class or “basket” of income for foreign tax credit purposes. You should consult your tax advisors regarding the proper treatment of gain or loss, as well as the availability of a foreign tax credit, in your particular circumstances.

### **Exercise or Lapse of a Warrant**

Subject to the PFIC rules discussed below, a U.S. Holder will generally not recognize gain or loss upon the exercise of a warrant for cash. An ordinary share acquired pursuant to the exercise of a warrant for cash will generally have a tax basis equal to the United States Holder’s tax basis in the warrant, increased by the amount paid to exercise the warrant.

It is unclear whether a U.S. Holder’s holding period for the ordinary share will commence on the date of exercise of the warrant or the day following the date of exercise of the warrant; in either case, the holding period will not include the period during which the U.S. Holder held the warrant. If a warrant is allowed to lapse unexercised, a U.S. Holder will generally recognize a capital loss equal to such holder’s tax basis in the warrant.

Because of the absence of authority specifically addressing the treatment of a cashless exercise of warrants under United States federal income tax law, the treatment of such a cashless exercise is unclear. A cashless exercise may be tax-free, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for U.S. federal income tax purposes. Alternatively, a cashless exercise could be treated as a taxable exchange in which gain or loss would be recognized.

In either tax-free situation, a U.S. Holder’s tax basis in the ordinary shares received would generally equal the U.S. Holder’s tax basis in the warrants. If a cashless exercise is not treated as a realization event, it is unclear whether a United States Holder’s holding period for the ordinary shares received on exercise will be treated as commencing on the date of exercise of the warrant or the following day. If a cashless exercise is treated as a recapitalization, the holding period of the ordinary shares received will include the holding period of the warrants.

If a cashless exercise is treated as a taxable exchange, a U.S. Holder could be deemed to have surrendered warrants with an aggregate fair market value equal to the exercise price for the total number of warrants to be exercised. In this case, the U.S. Holder

would recognize capital gain or loss in an amount equal to the difference between the fair market value of the warrants deemed surrendered and the U.S. Holder's tax basis in such warrants. A U.S. Holder's tax basis in the ordinary shares received would equal the sum of the U.S. Holder's initial investment in the warrants exercised (i.e., the U.S. Holder's purchase price for the warrant (or the portion of such U.S. Holder's purchase price for units that is allocated to the warrant) and the exercise price of such warrants). It is unclear whether a U.S. Holder's holding period for the ordinary shares would commence on the date of exercise of the warrant or the day following the date of exercise of the warrant.

Due to the absence of authority on the United States federal income tax treatment of a cashless exercise, there can be no assurance which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise.

Subject to the PFIC rules described below, if we redeem warrants for cash, such redemption or purchase will generally be treated as a taxable disposition to the U.S. Holder, taxed as described above under "*— Sale, Exchange, Redemption or Other Taxable Disposition of our Securities.*"

### **Passive Foreign Investment Company**

Certain adverse United States federal income tax consequences could apply to a U.S. Holder if we, or any of our subsidiaries, are treated as a PFIC for any taxable year during which the U.S. Holder holds our securities.

A non-U.S. corporation will be classified as a PFIC for any taxable year (a) if at least 75% of its gross income consists of passive income, such as dividends, interest, rents and royalties (except for rents and royalties earned in the active conduct of a trade or business), and gains on the disposition of property that produces such income, or (b) if at least 50% of the average value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce, or are held for the production of, passive income (including for this purpose its pro rata share of the gross income and assets of any entity in which it is considered to own at least 25% of the interest, by value).

Whether we or any of our subsidiaries is treated as a PFIC for U.S. federal income tax purposes is a factual determination that must be made annually at the close of each taxable year and, thus, is subject to significant uncertainty. Among other factors, fluctuations in the market price of the ordinary shares how quickly we use liquid assets and cash may influence whether we or any of our subsidiaries is treated as PFIC. Accordingly, there can be no assurance that we or any of our subsidiaries will not be treated as a PFIC for any taxable year. Moreover, we do not expect to provide a PFIC annual information statement for 2023 or going forward.

If we were characterized as a PFIC for any taxable year, U.S. Holders of our securities would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of our securities treated as ordinary income rather than capital gains and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of our securities. U.S. Holders would also be subject to annual information reporting requirements. In addition, if we were a PFIC in a taxable year in which we paid a dividend or the prior taxable year, such dividends would not be eligible to be taxed at the reduced rates applicable to qualified dividend income (as discussed above). Certain elections (including a mark-to-market election) may be available to United States Holders to mitigate some of the adverse tax consequences resulting from PFIC treatment. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to their ownership of our securities.

### **Information Reporting and Backup Withholding**

Information reporting to the IRS and backup withholding generally will apply to dividends in respect of our ordinary shares, and the proceeds from the sale or exchange of our ordinary shares, that are paid to U.S. Holders within the United States (and in certain cases, outside the United States), unless such U.S. Holder furnish a correct taxpayer identification number and makes any other required certification (generally on IRS Form W-9) or you otherwise establish an exemption from information reporting and backup withholding. Backup withholding is not an additional tax. Amounts withheld as backup withholding generally are allowed as a credit against a U.S. Holder's United States federal income tax liability, and such holder may be entitled to obtain a refund of any excess amounts withheld under the backup withholding rules if such holder files an appropriate claim for refund with the IRS and furnish any required information in a timely manner.

U.S. Holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules.

## **Information with Respect to Foreign Financial Assets**

U.S. Holders who are individuals (and certain entities closely held by individuals) generally will be required to report our name, address and such information relating to an interest in our ordinary shares as is necessary to identify the class or issue of which our ordinary shares are a part. These requirements are subject to exceptions, including an exception for ordinary shares held in accounts maintained by certain financial institutions and an exception applicable if the aggregate value of all “specified foreign financial assets” (as defined in the Code) does not exceed (i) US \$50,000 on the last day of the taxable year or (ii) US \$75,000 at any time during the taxable year. U.S. Holders should consult their tax advisors regarding the application of these information reporting rules.

### **F Dividends and Paying Agents**

Not applicable.

### **G Statement by Experts**

Not applicable.

### **H Documents on Display**

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information we have filed electronically with the SEC. As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We also make available on our website, free of charge, our annual report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is [www.timschina.com](http://www.timschina.com). The information on, or that can be accessed through, our website is not part of this Annual Report.

### **I Subsidiary Information**

Not applicable.

### **J Annual Report to Security Holders**

Not applicable.

## **ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Foreign Currency Risk***

Our principal activities are carried out in PRC and our transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must be processed through the People’s Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for foreign exchange transactions are the rates of exchange quoted by the Peoples’ Bank of China, which are determined largely by supply and demand. We do not expect that there will be any significant currency risk during the reporting periods. A 5% depreciation of U.S. dollars against Renminbi may increase comprehensive loss and shareholders’ equity by RMB9.3 million, RMB4.5 million and RMB4.1 million (US\$0.6 million) for the years ended December 31, 2020, 2021 and 2022, respectively.

### **Concentration of Credit Risk**

Our credit risk primarily arises from cash, prepaid expenses and other current assets and accounts receivable. Bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Hong Kong are insured by the government authorities up to RMB500,000 and HKD500,000, respectively. Total bank deposits are insured by the government authority with amounts up to RMB6.0 million, RMB7.3 million and RMB11.6 million (US\$1.7 million) as of December 31, 2020, 2021 and 2022, respectively.

### **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. We may invest the net proceeds from the offerings of our listed securities in interest-earning instruments. Investments in both fixed-rate and floating-rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall.

## **ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## **PART II**

## **ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

## **ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

## **ITEM 15 CONTROLS AND PROCEDURES**

### ***Disclosure Controls and Procedures***

Our management, with the participation of our chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon the evaluation, due to the two material weaknesses described below as of December 31, 2022, our disclosure controls and procedures are ineffective in ensuring that material information required to be disclosed in this Annual Report is recorded, processed, summarized and reported to them for assessment, and required disclosure is made within the time period specified in the rules and forms of the SEC.

### **Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm**

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm.

### **Internal Control Over Financial Reporting**

As defined in the standards established by the PCAOB, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of our company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with the audits of our consolidated

financial statements included in this Annual Report, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting as of December 31, 2022. The material weaknesses identified relate to (i) the Company inadequate competent financial reporting and accounting personnel with appropriate understanding of U.S. GAAP and financial reporting requirements set forth by the SEC to formalize, design, implement and operate key controls over financial reporting process to address complex U.S. GAAP accounting issues and related disclosures, in accordance with U.S. GAAP and SEC financial reporting requirements; and (ii) the Company has inadequate period end financial closing policies and procedures to implement and effectively operate key controls over period end financial closing process for preparation of consolidated financial statements, including disclosures, in accordance with U.S. GAAP and relevant SEC financial reporting requirements.

To develop and implement a sound controls and procedures regarding the two material weaknesses, we have hired a Chief Financial Officer with appropriate understanding of U.S. GAAP and financial reporting requirements set forth by the SEC. We also plan to adopt measures to improve our internal control over financial reporting, including, among others: (i) hiring additional qualified accounting and financial personnel with appropriate knowledge and experience in U.S. GAAP and SEC reporting requirements, (ii) organizing regular training for our accounting staff, especially training related to U.S. GAAP and SEC reporting requirements, (iii) formulating U.S. GAAP accounting policies and procedures manual, which will be maintained, reviewed and updated, on a regular basis, to the latest U.S. GAAP accounting standards, and (iv) establishing period end financial closing policies and procedures for preparation of consolidated financial statements.

However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. At the time of this Annual Report, these material weaknesses have not been remediated.

#### ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors has determined that Mr. Derek, Cheung qualifies as an “audit committee financial expert,” as defined under rules and regulations of the SEC. Mr. Cheung meets the requirements for independence under the listing standards of Nasdaq and SEC rules and regulations.

#### ITEM 16B CODE OF ETHICS

We have adopted a Code of Ethics that applies to all of our employees, officers and directors, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics is available under the Governance tab on the Investors page of our website at [www.timschina.com](http://www.timschina.com). The information on, or that can be accessed through, our website is not part of this Annual Report.

We intend to disclose any amendment to our Code of Ethics or any waivers of its requirements, in our annual report on Form 20-F. For the year ended December 31, 2022, we did not grant any waiver, including any implicit waiver, from any provision of the Code of Ethics.

#### ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by KPMG Huazhen LLP, our principal external auditors, for the years indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the year ended December 31,		
	2021	2022	
	RMB	RMB	US\$
Audit fees	6,686,000	7,500,000	\$ 1,087,398
Audit-related fees	—	—	—
Tax fees	—	—	—
All other fees	—	—	—
<b>Total</b>	<b>6,686,000</b>	<b>7,500,000</b>	<b>\$ 1,087,398</b>

**Audit Fees**

Audit fees are related to the audit of our consolidated financial statements and other audit or interim review services provided in connection with statutory and regulatory filings or engagements. The audit fees include the audited and unaudited financial statements included in our Registration Statement on Forms F-4 and F-1, respectively.

**ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G CORPORATE GOVERNANCE**

As permitted by Nasdaq, in lieu of the Nasdaq corporate governance rules, but subject to certain exceptions, we, as a foreign private issuer, may follow the practices of our home country, which for the purpose of such rules is the Cayman Islands. Certain corporate governance practices in the Cayman Islands differ significantly from Nasdaq's corporate governance rules.

Nasdaq Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on Nasdaq prior to issuance (or potential issuance) of securities (i) equaling 20% or more of the company's common stock or voting power for less than the greater of market or book value; (ii) resulting in a change of control of the company; and (iii) which is being issued pursuant to a stock option or purchase plan to be established or materially amended or other equity compensation arrangement made or materially amended. Notwithstanding this general requirement, Nasdaq Listing Rule 5615(a)(3)(A) permits foreign private issuers to follow their home country practice rather than these shareholder approval requirements. The Cayman Islands do not require shareholder approval prior to any of the foregoing types of issuances. We, therefore, are not required to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described above. Specifically, we have elected to be exempt from the requirements under (a) Nasdaq Listing Rule 5635 to obtain shareholder approval for (i) the issuance 20% or more of our outstanding ordinary shares or voting power in a private offering, (ii) the issuance of securities pursuant to a stock option or purchase plan to be established or materially amended or other equity compensation arrangement made or materially amended, (iii) the issuance of securities when the issuance or potential issuance will result in a change of control of our Company, and (iv) certain acquisitions in connection with the acquisition of the stock or assets of another company and (b) Nasdaq Listing Rule 5640, which requires that the voting rights of a listed company cannot be disparately reduced or restricted through any corporate action or issuance.

Other than those described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq corporate governance listing standards.

**ITEM 16H MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 16I DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**ITEM 16J INSIDER TRADING POLICIES**

Not applicable.

**PART III**

**ITEM 17 FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18 FINANCIAL STATEMENTS**

The consolidated financial statements of TH International Limited are included at the end of this Annual Report.

ITEM 19 EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
1.1	<a href="#">Second Amended and Restated Memorandum and Articles of Association of TH International Limited (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form F-1 (File No. 333-267864) filed by the Registrant on October 13, 2022).</a>
2.1*	<a href="#">Description of Securities of the Registrant.</a>
2.2	<a href="#">Specimen Ordinary Share Certificate (incorporated by reference to Exhibit 4.5 to the Registration Statement on Form F-4 (File No. 333-259743) filed by the Registrant on September 23, 2021).</a>
2.3	<a href="#">Specimen Warrant Certificate (incorporated by reference to Exhibit 4.6 to the Registration Statement on Form F-4 (File No. 333-259743) filed by the Registrant on September 23, 2021).</a>
2.4	<a href="#">Assignment, Assumption and Amended &amp; Restated Warrant Agreement by and among Silver Crest Acquisition Corporation, TH International Limited and Continental Stock Transfer &amp; Trust Company (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form F-1 (File No. 333-267864) filed by the Registrant on October 13, 2022).</a>
2.5	<a href="#">Indenture between TH International Limited and Wilmington Savings Fund Society, FSB, as trustee (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form F-4/A (File No. 333-259743) filed by the Registrant on January 28, 2022).</a>
4.1	<a href="#">Agreement and Plan of Merger, dated as of August 13, 2021, by and among TH International Limited, Miami Swan Ltd and Silver Crest Acquisition Corporation (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K/A filed by Silver Crest Acquisition Corporation on August 19, 2021).</a>
4.2	<a href="#">Amendment No. 1 to Agreement and Plan of Merger, dated as of January 30, 2022 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on January 31, 2022).</a>
4.3	<a href="#">Amendment No. 2 to Agreement and Plan of Merger, dated as of March 9, 2022 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 9, 2022).</a>
4.4	<a href="#">Amendment No. 3 to Agreement and Plan of Merger, dated as of June 27, 2022 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on June 27, 2022).</a>
4.5	<a href="#">Amendment No. 4 to Agreement and Plan of Merger, dated as of August 30, 2022 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on August 30, 2022).</a>
4.6	<a href="#">Registration Rights Agreement by and among the TH International Limited, Silver Crest Management LLC and certain shareholders of TH International Limited (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form F-1 (File No. 333-267864) filed by the Registrant on October 13, 2022).</a>
4.7	<a href="#">Lock-Up and Support Agreement, dated as of August 13, 2021, by and among TH International Limited, Silver Crest Acquisition Corporation and the shareholders of TH International Limited (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K/A filed by Silver Crest Acquisition Corporation on August 19, 2021).</a>
4.8	<a href="#">Sponsor Lock-Up Agreement, dated as of August 13, 2021, by and between TH International Limited and Silver Crest Management LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K/A filed by Silver Crest Acquisition Corporation on August 19, 2021).</a>
4.9	<a href="#">Voting and Support Agreement, dated as of August 13, 2021, made by and among TH International Limited, Silver Crest Acquisition Corporation and Silver Crest Management LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed by Silver Crest Acquisition Corporation on August 19, 2021).</a>
4.10	<a href="#">Amendment No. 1 to Voting and Support Agreement, dated as of March 9, 2022 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 9, 2022).</a>



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- 4.11+ [Amended and Restated Share Incentive Plan of TH International Limited \(incorporated by reference to Exhibit 10.5 to the Registration Statement on Form F-1 \(File No. 333-267864\) filed by the Registrant on October 13, 2022\).](#)
- 4.12 [Form of Director and Officer Indemnification Agreement \(incorporated by reference to Exhibit 10.7 to the Registration Statement on Form F-4/A \(File No. 333-259743\) filed by the Registrant on March 28, 2022\).](#)
- 4.13 [Amended and Restated Master Development Agreement, dated as of August 13, 2021, by and among Tim Hortons Restaurants International GmbH, TH Hong Kong International Limited and TH International Limited \(incorporated by reference to Exhibit 10.7 to the Registration Statement on Form F-4 \(File No. 333-259743\) filed by the Registrant on September 23, 2021\).](#)
- 4.14 [Amendment No. 1 to Amended and Restated Master Development Agreement, dated as of September 28, 2022, by and among Tim Hortons Restaurants International GmbH, TH Hong Kong International Limited and TH International Limited \(incorporated by reference to Exhibit 10.8 to the Registration Statement on Form F-1 \(File No. 333-267864\) filed by the Registrant on October 13, 2022\).](#)
- 4.15 [Amended and Restated Company Franchise Agreement, dated as of August 13, 2021, by and among Tim Hortons Restaurants International GmbH, TH Hong Kong International Limited, Tim Hortons \(Shanghai\) Food and Beverage Management Co., Ltd., Tim Hortons \(China\) Holdings Co. Ltd., Tim Hortons \(Beijing\) Food and Beverage Services Co., Ltd. and Tim Coffee \(Shenzhen\) Co., Ltd \(incorporated by reference to Exhibit 10.8 to the Registration Statement on Form F-4 \(File No. 333-259743\) filed by the Registrant on September 23, 2021\).](#)
- 4.16 [Amended and Restated Company Franchise Agreement, dated as of August 13, 2021, by and between Tim Hortons Restaurants International GmbH and TH Hong Kong International Limited \(incorporated by reference to Exhibit 10.9 to the Registration Statement on Form F-4 \(File No. 333-259743\) filed by the Registrant on September 23, 2021\).](#)
- 4.17 [Business Cooperation Agreement between Pangaea Data Tech \(Shanghai\) Co., Ltd and Tim Hortons \(China\) Holdings Co., Ltd., dated December 2, 2021 \(incorporated by reference to Exhibit 10.10 to the Registration Statement on Form F-4/A \(File No. 333-259743\) filed by the Registrant on January 28, 2022\).](#)
- 4.18 [Convertible Note Purchase Agreement among TH International Limited, Sona Credit Master Fund Limited and Pangaea Two Acquisition Holdings XXIIA Limited, dated December 9, 2021 \(incorporated by reference to Exhibit 10.12 to the Registration Statement on Form F-1/A \(File No. 333-267864\) filed by the Registrant on November 17, 2022\).](#)
- 4.19 [Convertible Note Purchase Agreement among TH International Limited, Sunrise Partners Limited Partnership and Pangaea Two Acquisition Holdings XXIIA Limited, dated December 9, 2021 \(incorporated by reference to Exhibit 10.13 to the Registration Statement on Form F-1/A \(File No. 333-267864\) filed by the Registrant on November 17, 2022\).](#)
- 4.20 [Form of Subscription Agreement \(incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 9, 2022\).](#)
- 4.21 [Ordinary Share Purchase Agreement, dated March 11, 2022 \(incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 11, 2022\).](#)
- 4.22 [Amendment No. 1 to Ordinary Share Purchase Agreement, dated November 9, 2022 \(incorporated by reference to Exhibit 10.16 to the Registration Statement on Form F-1/A \(File No. 333-267864\) filed by the Registrant on November 17, 2022\).](#)
- 4.23 [Registration Rights Agreement, dated March 11, 2022 \(incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 11, 2022\).](#)
- 4.24 [Equity Support Agreement, dated March 8, 2022 \(incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 9, 2022\).](#)
- 4.25 [Amendment No.1 to Equity Support Agreement, dated July 28, 2022 \(incorporated by reference to Exhibit 10.19 to the Registration Statement on Form F-1/A \(File No. 333-267864\) filed by the Registrant on November 17, 2022\).](#)

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4.26	<a href="#"><u>Amendment No.2 to Equity Support Agreement, dated December 27, 2022 (incorporated by reference to Exhibit 10.1 to the Form 6-K (File No. 001-41516), furnished with the SEC on December 28, 2022).</u></a>
4.27	<a href="#"><u>Pledge and Security Agreement, dated May 25, 2022 (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form F-4/A (File No. 333-259743) filed by the Registrant on June 8, 2022).</u></a>
4.28	<a href="#"><u>Control Agreement, dated June 13, 2022(incorporated by reference to Exhibit 10.18 to the Registration Statement on Form F-1 (File No. 333-267864) filed by the Registrant on October 13, 2022).</u></a>
4.29	<a href="#"><u>Option Agreement by and between TH International Limited, Pangaea Two Acquisition Holdings XXIIB Limited and Pangaea Two Acquisition Holdings XXIIA Limited and Sona Credit Master Fund Limited, dated September 28, 2022 (incorporated by reference to Exhibit 10.22 to the Registration Statement on Form F-1/A (File No. 333-267864) filed by the Registrant on November 17, 2022).</u></a>
4.30	<a href="#"><u>Share Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Form 6-K (File No. 001-41516), furnished with the SEC on March 30, 2023).</u></a>
4.31*	<a href="#"><u>Amended and Restated Master Development Agreement, dated March 30, 2023, by and among PLK APAC Pte. Ltd., PLKC HK International Limited, PLKC International Limited and TH International Limited.</u></a>
8.1*	<a href="#"><u>List of subsidiaries.</u></a>
11*	<a href="#"><u>Code of Ethics.</u></a>
12.1*	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
12.2*	<a href="#"><u>Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
13.1*	<a href="#"><u>Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
13.2*	<a href="#"><u>Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
15.1*	<a href="#"><u>Consent of KPMG Huazhen LLP, an independent registered public accounting firm for TH International Limited.</u></a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL document set

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\* Filed with this Annual Report.

+ Indicates management contract or compensatory plan or arrangement.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**TH International Limited**

By: /s/ Yongchen Lu

Name: Yongchen Lu

Title: Chief Executive Officer and Director

Date: April 28, 2023

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

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<a href="#">Consolidated Statements of Operations for the years ended December 31, 2020, 2021 and 2022</a>	F-4
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<a href="#">Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2020, 2021 and 2022</a>	F-6
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
TH International Limited:

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of TH International Limited and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

**Change in Accounting Principle**

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for leases in 2022 due to the adoption of Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASC 842"), as amended.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG Huazhen LLP

We have served as the Company's auditor since 2019.

Shanghai, China  
April 28, 2023

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**  
 Consolidated Balance Sheets  
 (Expressed in Renminbi Yuan)

	Note	December 31, 2022 RMB	December 31, 2021 RMB
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	3	239,077,430	390,837,386
Short-term investment	4	372,375,701	—
Accounts receivable, net	5	5,617,195	9,817,292
Inventories	6	71,467,517	42,479,403
Prepaid expenses and other current assets	7	108,274,731	142,838,295
Total current assets		<u>796,812,574</u>	<u>585,972,376</u>
<b>Non-current assets</b>			
Property and equipment, net	8	720,035,970	554,015,231
Intangible assets, net	9	96,018,313	77,593,680
Operating lease right-of-use assets	14	946,872,784	—
Other non-current assets	10	82,270,359	67,311,223
Total non-current assets		<u>1,845,197,426</u>	<u>698,920,134</u>
Total assets		<u>2,642,010,000</u>	<u>1,284,892,510</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term bank borrowings	11	407,807,493	192,055,323
Accounts payable		105,673,391	60,952,491
Contract liabilities	12	22,122,305	14,129,311
Amount due to related parties	25	22,484,963	14,073,915
Operating lease liabilities	14	180,468,426	—
Derivative financial liabilities	15	269,251,436	—
Other current liabilities	16	310,454,355	286,078,575
Total current liabilities		<u>1,318,262,369</u>	<u>567,289,615</u>
<b>Non-current liabilities</b>			
Long-term bank borrowings	11	8,800,016	11,903,452
Contract liabilities	12	3,311,176	970,486
Operating lease liabilities	14	820,248,803	—
Derivative financial liabilities	15	19,083,004	—
Convertible notes, at fair value	17	354,080,264	318,466,215
Other non-current liabilities		7,919,952	47,167,706
Total non-current liabilities		<u>1,213,443,215</u>	<u>378,507,859</u>
Total liabilities		<u>2,531,705,584</u>	<u>945,797,474</u>
<b>Shareholders' equity</b>			
Ordinary shares (US\$0.00000939586994067732 par value, 500,000,000 shares authorized, 149,181,538 shares and 140,938,555 shares issued and outstanding as of December 31, 2022, respectively, 124,193,929 shares issued and outstanding as of December 31, 2021)	22	8,616	7,497
Additional paid-in capital		1,472,014,651	937,315,273
Accumulated losses		(1,380,173,392)	(637,528,160)
Accumulated other comprehensive income		17,000,825	35,743,691
Treasury shares (8,242,983 and nil ordinary shares as of December 31, 2022 and 2021, respectively)		—	—
Total equity attributable to shareholders of the Company		<u>108,850,700</u>	<u>335,538,301</u>
Non-controlling interests		1,453,716	3,556,735
Total shareholders' equity		<u>110,304,416</u>	<u>339,095,036</u>
Total liabilities and shareholders' equity		<u>2,642,010,000</u>	<u>1,284,892,510</u>

See Accompanying Notes to Consolidated Financial Statements

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
(Expressed in Renminbi Yuan)

	Note	For the Years Ended December 31,		
		2022	2021	2020
		RMB	RMB	RMB
<b>Revenues</b>				
Company owned and operated stores		938,096,823	617,226,090	206,036,187
Other revenues (including other revenues from transactions with a related party of nil, RMB428,148 and nil for the years ended December 31, 2022, 2021 and 2020, respectively)		72,966,943	26,145,859	6,048,384
<b>Total revenues</b>	18	<b>1,011,063,766</b>	<b>643,371,949</b>	<b>212,084,571</b>
<b>Costs and expenses, net</b>				
<b>Company owned and operated stores</b>				
Food and packaging (including cost of Company owned and operated stores from transactions with a related party of RMB36,862,860, RMB19,521,561 and RMB8,864,342 for the years ended December 31, 2022, 2021 and 2020, respectively)		314,550,334	207,947,581	74,401,872
Store rental expenses		236,838,444	148,152,234	54,719,146
Payroll and employee benefits		268,857,299	199,329,992	50,314,270
Delivery costs		73,615,391	38,604,864	12,232,737
Other operating expenses (including service fee from transactions with a related party of RMB550,000, nil and nil for the years ended December 31, 2022, 2021 and 2020, respectively)		107,769,989	99,104,765	35,613,651
Store depreciation and amortization		118,658,800	62,678,633	16,449,684
<b>Company owned and operated store costs and expenses</b>		<b>1,120,290,257</b>	<b>755,818,069</b>	<b>243,731,360</b>
Costs of other revenues		48,554,641	16,731,187	5,207,632
Marketing expenses		81,017,100	50,316,856	16,986,023
General and administrative expenses (including general and administrative expenses from transactions with a related party of RMB1,845,960, nil and RMB160,532 for the years ended December 31, 2022, 2021 and 2020, respectively)		289,544,688	174,962,876	79,366,314
Franchise and royalty expenses (including franchise and royalty expenses from transactions with a related party of RMB31,882,569, RMB15,576,324 and RMB5,147,252 for the years ended December 31, 2022, 2021 and 2020, respectively)		35,595,253	18,800,024	8,591,902
Other operating costs and expenses		8,340,034	2,134,905	2,712,522
Loss on disposal of property and equipment		8,835,137	1,546,122	—
Impairment losses of long-lived assets		7,222,765	1,001,880	—
Other income	19	7,152,455	3,475,871	3,338,788
<b>Total costs and expenses, net</b>		<b>1,592,247,420</b>	<b>1,017,836,048</b>	<b>353,256,965</b>
<b>Operating loss</b>		<b>(581,183,654)</b>	<b>(374,464,099)</b>	<b>(141,172,394)</b>
Interest income		2,703,219	315,550	511,389
Interest expenses		(14,804,002)	(1,901,653)	—
Foreign currency transaction loss		(6,275,369)	(1,301,963)	(2,399,162)
Changes in fair value of convertible notes	24	(4,493,605)	(5,577,001)	—
Changes in fair value of warrant liabilities	24	45,903,468	—	—
Changes in fair value of ESA derivative liabilities	24	(186,598,308)	—	—
<b>Loss before income taxes</b>		<b>(744,748,251)</b>	<b>(382,929,166)</b>	<b>(143,060,167)</b>
Income tax expenses	21	—	—	—
<b>Net loss</b>		<b>(744,748,251)</b>	<b>(382,929,166)</b>	<b>(143,060,167)</b>
Less: Net Loss attributable to non-controlling interests		2,103,019	1,208,147	1,060,660
<b>Net Loss attributable to shareholders of the Company</b>		<b>(742,645,232)</b>	<b>(381,721,019)</b>	<b>(141,999,507)</b>
Basic and diluted loss per ordinary share	23	<u>(5.80)</u>	<u>(3.14)</u>	<u>(1.33)</u>

See Accompanying Notes to Consolidated Financial Statements

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**  
Consolidated Statements of Comprehensive Loss  
(Expressed in Renminbi Yuan)

	Note	For the Years Ended December 31,		
		2022	2021	2020
		RMB	RMB	RMB
Net loss		(744,748,251)	(382,929,166)	(143,060,167)
<b>Other comprehensive income</b>				
Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes		(1,520,393)	(548,029)	—
Unrealized gain on short-term investment, net of nil income taxes		2,133,528	—	—
Foreign currency translation adjustment, net of nil income taxes		(19,356,001)	(2,889,641)	2,788,426
Total comprehensive loss		(763,491,117)	(386,366,836)	(140,271,741)
Less: Comprehensive loss attributable to non- controlling interests		2,103,019	1,208,147	1,060,660
Comprehensive loss attributable to shareholders of the Company		<u>(761,388,098)</u>	<u>(385,158,689)</u>	<u>(139,211,081)</u>

*See Accompanying Notes to Consolidated Financial Statements*



**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Renminbi Yuan)**

Note	Ordinary shares		Additional paid-in capital	Treasury shares	Subscription receivables	Accumulated losses	Accumulated other comprehensive income	Total equity attributable to shareholders of the Company	Non-controlling interests	Total shareholders' equity
	Number of issued shares	Amount								
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2020	106,429,741	6,412	636,537,437	—	(192,363,000)	(113,807,634)	36,392,935	366,766,150	5,825,542	372,591,692
Net loss	—	—	—	—	—	(141,999,507)	—	(141,999,507)	(1,060,660)	(143,060,167)
Foreign currency translation adjustment	—	—	—	—	—	—	2,788,426	2,788,426	—	2,788,426
Issuance of shares	22	1,596,446	101	10,089,000	—	—	—	10,089,101	—	10,089,101
Settlement of subscription receivable	22	—	—	(1,719,802)	—	192,363,000	—	—	—	190,643,198
Balance at December 31, 2020	108,026,187	6,513	644,906,635	—	—	(255,807,141)	39,181,361	428,287,368	4,764,882	433,052,250
Net loss	—	—	—	—	—	(381,721,019)	—	(381,721,019)	(1,208,147)	(382,929,166)
Fair value changes of convertible notes due to instrument-specific credit risk	—	—	—	—	—	—	(548,029)	(548,029)	—	(548,029)
Foreign currency translation adjustment	—	—	—	—	—	—	(2,889,641)	(2,889,641)	—	(2,889,641)
Issuance of shares	22	16,167,742	984	292,408,638	—	—	—	292,409,622	—	292,409,622
Balance at December 31, 2021	124,193,929	7,497	937,315,273	—	—	(637,528,160)	35,743,691	335,538,301	3,556,735	339,095,036

Note	Ordinary shares		Additional paid-in capital	Treasury shares	Accumulated losses	Accumulated other comprehensive income	Total equity attributable to shareholders of the Company	Non-controlling interests	Total shareholders' equity	
	Number of issued shares	Amount								
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Balance at December 31, 2021	124,193,929	7,497	937,315,273	—	(637,528,160)	35,743,691	335,538,301	3,556,735	339,095,036	
Net loss	—	—	—	—	(742,645,232)	—	(742,645,232)	(2,103,019)	(744,748,251)	
Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes	—	—	—	—	—	(1,520,393)	(1,520,393)	—	(1,520,393)	
Foreign currency translation adjustment, net of nil income taxes	—	—	—	—	—	(19,356,001)	(19,356,001)	—	(19,356,001)	
Unrealized gain on short-term investment, net of nil income taxes	—	—	—	—	—	2,133,528	2,133,528	—	2,133,528	
Issuance of shares to L&L Tomorrow Holdings Limited	22	174,544	11	9,964,474	—	—	—	9,964,485	—	9,964,485
Issuance of shares to THC Hope IB Limited	22	8,242,983	—	—	—	—	—	—	—	—
Transaction cost of Merger and PIPE Transactions	22	—	—	(85,728,299)	—	—	—	(85,728,299)	—	(85,728,299)
Equity financing through Merger Transaction	22	5,693,636	380	(37,625,574)	—	—	—	(37,625,194)	—	(37,625,194)
Equity financing through PIPE Transaction	22	5,050,000	338	312,871,174	—	—	—	312,871,512	—	312,871,512
Equity financing through ESA Transaction	22	5,000,000	334	267,361,986	—	—	—	267,362,320	—	267,362,320
Capital contribution from shareholders	22	—	—	1,777,675	—	—	—	1,777,675	—	1,777,675
Stock-based compensation	20	—	—	44,421,298	—	—	—	44,421,298	—	44,421,298
Issuance of shares to Cantor	22	826,446	56	21,656,644	—	—	—	21,656,700	—	21,656,700
Balance at December 31, 2022	149,181,538	8,616	1,472,014,651	—	(1,380,173,392)	17,000,825	108,850,700	1,453,716	110,304,416	

See Accompanying Notes to Consolidated Financial Statements

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(Expressed in Renminbi Yuan)

	For the Years Ended December 31,		
	2022	2021	2020
	RMB	RMB	RMB
<b>Cash flow from operating activities:</b>			
Net loss	(744,748,251)	(382,929,166)	(143,060,167)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Depreciation and amortization	133,402,504	74,276,142	27,838,383
Loss on disposal of property and equipment	8,835,137	1,546,122	—
Provision for Inventories write-down	387,999	—	—
Allowance for doubtful accounts	2,356,034	—	—
Impairment losses of long-lived assets	7,222,765	1,001,880	—
Share-based payment expenses	74,686,711	—	—
Unrealized foreign currency transaction loss	2,369,080	827,068	2,399,162
Changes in fair value of convertible notes	4,493,605	5,577,001	—
Changes in fair value of warrant liabilities	(45,903,468)	—	—
Changes in fair value of ESA derivative liabilities	186,598,308	—	—
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	1,844,063	(1,839,140)	(4,804,658)
Inventories	(29,376,113)	(31,174,705)	(5,570,406)
Prepaid expenses and other current assets	16,088,529	(36,203,431)	(36,698,790)
Other non-current assets	(14,959,136)	(35,499,307)	(22,108,155)
Accounts payable	44,720,900	45,555,721	7,709,469
Amounts due to related parties	8,411,048	4,083,764	2,883,159
Contract liabilities	10,333,684	11,705,026	(657,361)
Other current liabilities	35,009,222	69,469,317	13,565,385
Other non-current liabilities	(39,247,754)	28,637,700	12,731,146
Right-of-use asset and lease liabilities	50,546,769	—	—
Net cash used in operating activities	<u>(286,928,364)</u>	<u>(244,966,008)</u>	<u>(145,772,833)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment and intangible assets	(334,930,178)	(335,318,355)	(144,747,183)
Purchase of short-term investment	(370,242,173)	—	—
Proceeds from disposal of property and equipment	—	41,000	—
Net cash used in investing activities	<u>(705,172,351)</u>	<u>(335,277,355)</u>	<u>(144,747,183)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from convertible notes	—	312,092,172	—
Proceeds from bank borrowings	707,579,122	209,258,775	—
Repayment of bank borrowings	(494,930,388)	(5,300,000)	—
Payment of offering costs for Merger and PIPE Transactions	(81,688,831)	(9,310,208)	—
Proceeds from Merger Transaction	24,237,896	—	—
Proceeds from equity financing through PIPE Transaction	316,426,861	—	—
Proceeds from equity financing through ESA Transaction	355,535,000	—	—
Payment for issuance costs of ordinary shares	—	(136,000)	(1,719,802)
Proceeds from issuance of ordinary shares	—	291,393,000	222,844,800
Net cash provided by financing activities	<u>827,159,660</u>	<u>797,997,739</u>	<u>221,124,998</u>
<b>Effect of foreign currency exchange rate changes on cash</b>	<u>13,181,099</u>	<u>(1,790,729)</u>	<u>(16,173,085)</u>
Net decrease in cash	(151,759,956)	215,963,647	(85,568,103)
Cash at beginning of the year	390,837,386	174,873,739	260,441,842
Cash at end of the year	<u>239,077,430</u>	<u>390,837,386</u>	<u>174,873,739</u>
<b>Supplemental disclosure of cash flow information:</b>			
Interest expenses paid	13,678,165	1,481,293	—
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Purchase of property and equipment with unpaid costs accrued within other current liabilities	139,578,631	172,981,034	67,893,359
Issuance of ordinary shares to settle bonus payable	1,355,772	1,016,622	—
Accrued offering costs	4,039,468	9,164,827	—

See Accompanying Notes to Consolidated Financial Statements

## TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

### 1. Description of Business

TH International Limited was incorporated in Cayman Islands in April 2018. Pursuant to a master development agreement between TH Hong Kong International limited (“THHK”), a subsidiary of TH International Limited, and Tim Hortons Restaurants International GmbH (“THRI”), effective from June 11, 2018, with initial contractual term of 20 years and THHK has the option to extend the initial term for 10 years, subject to achieving certain agreed-upon milestones of cumulative store opening target by the end of development year 10 and the end of development year 20, TH International Limited together with its subsidiaries (“the Company”) owns the exclusive franchise right authorized by THRI, and is authorized to develop and operate stores branded “Tim Hortons” throughout the People’s Republic of China (“PRC”), including Hong Kong and Macau. The master development agreement also sets out terms related to development obligations, services and related obligations, fees, system standards and manuals, insurance obligations, relationship of the parties and indemnification, inspections and assignments, termination, rights and obligations upon termination or expiration, and other general provisions. On August 13, 2021, the master development agreement was amended and restated to set out new terms related to (1) conditions at which the Company is allowed to incur indebtedness and usage of such proceeds; (2) THRI’s right to nominate one individual to the board of directors of TH International Limited; (3) THRI’s right to designate an observer to attend all meetings of the Company’s board of directors or any committee of the board of directors.

The first Tim Hortons store in Mainland China opened in February 2019. As of December 31, 2022, there were 617 Tim Hortons stores in China, including 547 Company owned and operated stores and 70 franchised stores. For the 547 Company owned and operated stores, 192 stores are in Shanghai, 78 stores in Beijing, 51 stores in Hangzhou, 28 stores in Shenzhen, 26 stores in Guangzhou, 24 stores in Chengdu, 22 stores in Nanjing and other 126 stores in Chongqing, Wuhan, Xi’an, Xiamen, Dalian, etc.

### 2. Merger Transaction and Related Financing Transactions

#### Merger Transaction

On August 13, 2021, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Miami Swan Ltd, a wholly-owned subsidiary of the Company which was established for merger purpose (“Merger Sub”) and Silver Crest Acquisition Corporation (“SPAC”), a blank check company incorporated on September 3, 2020, as a Cayman Islands exempted company for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses or entities. On January 19, 2021, the SPAC consummated the Initial Public Offering, raising gross proceeds of US\$345,000,000. Upon the terms and subject to the conditions of the Merger Agreement and in accordance with the Companies Act (as amended) of the Cayman Islands (the “Cayman Companies Law”), at the closing, Merger Sub merged with and into SPAC (the “First Merger”), with SPAC surviving the First Merger as a wholly owned subsidiary of the Company. Immediately following the consummation of the First Merger and as part of the same overall transaction, SPAC merged with and into the Company (the “Second Merger” and together with the First Merger, the “Mergers”), with the Company surviving the Second Merger (the “Merger Transaction”). The Merger Transaction was consummated on September 28, 2022 (the “Closing Date”).

## TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

### 2. Merger Transaction and Related Financing Transactions (Continued)

Upon the consummation of the Merger Transaction, (i) 116,855 issued ordinary shares of the Company held by certain existing shareholders of the Company before the Merger Transaction (the “Existing Shareholders”) were subdivided using the exchange ratio of approximately 1,064.3 into 124,368,473 ordinary shares. As a result, the par value of ordinary shares was updated from US\$0.01 to US\$0.00000939586994067732. All applicable share and per share amounts in the consolidated financial statements have been retrospectively adjusted to reflect the effects of the stock split; (ii) 7,745 issued ordinary shares of the Company held by THC Hope IB Limited, a trust established to hold securities on behalf of certain employee and members of management, were subdivided using the exchange ratio of approximately 1,064.3 into 8,242,983 ordinary shares; (iii) the Company issued 5,693,636 ordinary shares in exchange of 1,381,136 Class A ordinary shares of SPAC held by public shareholders of the SPAC and 4,312,500 Class B ordinary shares of SPAC held by Silver Crest Management LLC (the “Sponsor”), among which 1,400,000 ordinary shares owned by the Sponsor were unvested and subject to forfeiture, only to be vested upon the Company’s future share price reaching certain price threshold (the “Earn-in Shares”). On the fifth anniversary of the Closing Date, the Earn-in Shares will be forfeited if certain price threshold are not met. The Company concluded that the Earn-in Shares to be classified as equity under ASC 815 because the instruments are considered to be indexed to the Company’s own stock and qualify for equity classification. The fair value of the Earn-in Shares was US\$5,900,000 (equivalent to RMB41,953,130) as of September 28, 2022, and was accounted for as additional paid-in capital; (iv) the Company issued 17,250,000 Warrants in exchange of the warrants of SPAC held by public shareholders (the “Public Warrants”), and issued 4,450,000 Warrants to the Sponsor in exchange of warrants of SPAC held by the Sponsor (the “Sponsor Warrants”).

The Company also commits to issue up to 14,000,000 ordinary shares to the Existing Shareholders upon the Company’s future share price reaching certain price threshold (the “Earn-out Shares”). The Earn-out Shares will expire five years from the Closing Date. The Company concluded that the Earn-out Shares to be classified as equity under ASC 815 because the instruments are considered to be indexed to the Company’s own stock and qualify for equity classification. The fair value of the Earn-out Shares was US\$59,000,000 (equivalent to RMB419,531,300) as of September 28, 2022, and was accounted for as additional paid-in capital.

The controlling shareholders of the Company before the Merger Transaction remained the controlling shareholders of the surviving company after the Merger Transaction. The Company was determined to be the accounting acquirer given the Company effectively controlled the combined companies after the Merger Transaction. The Merger Transaction is not a business combination because the SPAC did not carry out a business since its incorporation and did not have inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. As a result, the Merger Transaction is accounted for as issuance of ordinary shares and warrants by the Company in exchange of cash of the SPAC. Upon the consummation of the Merger Transaction, the Company acquired cash from the SPAC in the amount of US\$3,408,651 (equivalent to RMB24,237,896) and issued warrant liabilities in the amount of US\$8,700,000 (equivalent to RMB61,863,090).

Upon the consummation of the Merger Transaction, the Company also completed the following financing transactions:

(i) The Company issued 5,050,000 ordinary shares and 1,200,000 Warrants (the “PIPE Warrants,” and collectively with the Public Warrants and the Sponsor Warrants, the “Warrants”) to a number of investors (the “PIPE Investors”) for a total consideration of US\$44,500,100 (the “PIPE Transaction”). The Company received gross proceeds of US\$44,500,100 (equivalent to RMB316,426,861) on September 29, 2022. The proceeds were allocated between PIPE Warrants and ordinary shares by using residual method. PIPE Warrants were recognized at fair value on September 28, 2022 and the difference between total proceeds and fair value of PIPE Warrants was allocated to ordinary shares. PIPE Warrants were accounted for as liabilities and measured at fair value in accordance with ASC 815, with fair value changes recognized in the Consolidated Statement of Operations (See Note 15).

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**2. Merger Transaction and Related Financing Transactions (Continued)**

(ii) The Company issued 5,000,000 ordinary shares to Shaolin Capital Partners Master Fund Ltd, MAP 214 Segregated Portfolio, a segregated portfolio of LMA SPC, DS Liquid DIV RVA SCM LLC and Shaolin Capital Partners SP, a segregated portfolio of PC MAP SPC (collectively, “ESA Investors”) pursuant to Equity Support Agreement (“ESA Agreement”) entered into on March 8, 2022 and as amended on July 28, 2022, concurrently with receipt of the subscription price of US\$50,000,000 (equivalent to RMB355,535,000) paid by the ESA investors, which were deposited into a collateral account established in the name of the Company (the “ESA Transaction”). The Company is unable to withdraw or transfer the cash in the collateral account without consent from Shaolin Capital Management LLC (“Shaolin”). Before issuance of 5,000,000 ordinary Shares to ESA Investors and receipt of subscription price of US\$50,000,000, the Company made payment of US\$3,166,667 in cash as deposits to the collateral account. The cash and related interest income in the collateral account will be released to the Company and ESA Investors within 245 calendar days after the Closing Date in accordance with the mechanism set out in ESA Agreement (see Note 15). The Company incurred and paid offering cost of US\$650,000 (equivalent to RMB4,621,955) in connection with this transaction which was recognized in general and administrative expenses for the year ended December 31, 2022.

(iii) The Company is obligated to issue to CF Principal Investment LLC (“Cantor”) a number of ordinary shares equal to the quotient obtained by dividing (1) US\$3,000,000 and (2) the fair market value of the ordinary shares (“Commitment Shares”) pursuant to Ordinary Share Purchase Agreement entered into between the Company and Cantor (also see Note 22). In accordance with such agreement, based on the Company’s notification from time to time, Cantor will purchase from the Company with per share purchase price equal to 97% of the dollar volume-weighted average price for the ordinary shares on the Nasdaq Stock Market over a specified time period, up to US\$100,000,000 in aggregate gross purchase price of newly issued ordinary shares during the 36 months beginning from the effective date of initial registration statement filed with the U.S. Securities and Exchange Commission. The Company issued 826,446 ordinary shares as consideration for the Commitment Shares of US\$3,000,000 (equivalent to RMB21,656,700), with a corresponding amount recognized in general and administrative expenses for the year ended December 31, 2022.

(iv) The Company entered into an Option Agreement by and between, on the one hand, Pangaea Two Acquisition Holdings XXIIB, Ltd. and Pangaea Two Acquisition Holdings XXIIA, Ltd., and, on the other hand, Sona Credit Master Fund Limited (“Sona”) pursuant to which Sona shall have the options to acquire 200,000 ordinary shares of the Company from Pangaea Two Acquisition Holdings XXIIB, Ltd. at a purchase price of US\$11.50 per share.

The key terms of this option are summarized as follows:

The options may be exercised, at the sole discretion of Sona, in whole or in part from the time to time within 5 years counting from the date of the consummation of Merger Transaction.

The options may be cancelled, at the option of Pangaea Two Acquisition Holdings XXIIA, at any time during the Exercise Period, upon no less than 30 days’ notice to the Investor, at a price of \$0.01 per Option Share if the last reported sales price of the ordinary shares has been at least \$18.00 per share on each of 20 trading days within any 30 trading-day period commencing once the options become exercisable and ending on the third (3rd) trading day prior to the date on which notice of cancellation is given.

The fair value of the options was US\$250,000 (equivalent to RMB1,777,675) as of September 28, 2022, and was treated as capital contribution from shareholders because the options were granted to facilitate the consummation of financing transactions on behalf of the Company, and recorded in additional paid-in capital with a corresponding amount recognized in general and administrative expenses for the year ended December 31, 2022.

The ordinary shares and Public Warrants began trading on the Nasdaq Capital Market under the symbols “THCH” and “THCHW”, respectively, on September 29, 2022.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies**

***Basis of Preparation and Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the financial statements of TH International Limited and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. For consolidated subsidiary where the ownership in the subsidiary is less than 100%, the equity interest not held by the Company is shown as non-controlling interests.

These consolidated financial statements have been prepared in accordance with U.S. GAAP assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has incurred losses since its inception. The Company incurred net losses of RMB745 million, RMB383 million and RMB143 million for the years ended December 31, 2022, 2021 and 2020 respectively. For the year ended December 31, 2022, the Company had net operating cash outflow of RMB287 million. As of December 31, 2022, the Company's accumulated losses were RMB1,380 million.

The Company had relied principally on proceeds from issuance of ordinary shares, convertible notes and bank borrowings to finance its operations and business expansion. Substantial doubt about the Company's ability to continue as a going concern existed in prior year due to uncertainty with regards to the financial plan to raise external financing through issuance of ordinary shares to new investors and renewal of credit facilities from banks. This uncertainty was partially alleviated by consummation of the Merger Transaction and related financing transactions as referred to in Note 2.

The Company requires additional liquidity to continue its operations over the next 12 months. The Company has evaluated plans to continue as a going concern such as raising external financing which include: a) obtaining additional loan facilities from banks and renewal of existing bank borrowings when they are due, receiving proceeds from shareholders for issuance of ordinary shares in conjunction with the Popeyes transaction consummated on March 30, 2023 (Note 26) and receiving proceeds for issuance of ordinary shares in conjunction with the Cantor financing arrangements; b) adjusting the pace of the Company's store network expansion, reducing various discretionary expenditures and optimizing operational efficiency to improve the Company's cash flow from operations. On such basis, management conclude that there is no substantial doubt about the Company's ability to continue as a going concern as of the approval date of this financial statements.

***Comparative Information***

The store depreciation and amortization in the Consolidated Statement of operations for the years ended December 31, 2021 and 2020 in the amount of RMB62,678,633 and RMB16,449,684 have been reclassified from Other operating expense to Store depreciation and amortization caption to conform to the current year's presentation to facilitate comparison.

***Fiscal Calendar***

The Company's fiscal year is from January 1 to December 31.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions including incremental borrowing rate, fair value of long-lived assets, share-based compensation arrangements, earn-in shares, earn-out shares, liability-settled share-based payment to non-employee, ESA derivative liabilities, warrant liabilities and convertible notes.

***Foreign Currency Transaction and Translation***

The Company's reporting currency is Chinese Renminbi Yuan ("RMB"). The functional currency of TH International Limited and its wholly-owned subsidiary incorporated at Hong Kong (THHK) is United States Dollars ("US\$"). The functional currency of the Company's PRC subsidiaries is RMB.

Transactions denominated in currencies other than the functional currency are remeasured into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. The resulted exchange differences are recorded in foreign currency transaction gain or loss in the Consolidated Statements of Operations.

The financial statements of TH International Limited and THHK are translated from US\$ into RMB. Assets and liabilities are translated into RMB using the applicable exchange rates at the balance sheet date. Equity accounts other than deficits generated in the current period are translated into RMB using the appropriate historical rates. Revenues, expenses, gains and losses are translated into RMB using the average exchange rates for the relevant period. The resulted foreign currency translation adjustments are recorded as a component of other comprehensive income / (loss) in the Consolidated Statements of Comprehensive Loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income in the Consolidated Balance Sheets.

***Risks and Concentration***

**Foreign exchange risk**

As the Company's principal activities are carried out in PRC, the Company's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The management does not expect that there will be any significant currency risk for the Company during the reporting periods.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**3. Summary of Significant Accounting Policies (Continued)*****Risks and Concentration (Continued)*****Concentration of credit risk**

The Company's credit risk primarily arises from cash, short-term investment, prepaid expenses and other current assets and accounts receivable. The bank deposits, including term deposits, with financial institutions in the mainland of the PRC and Hong Kong Special Administrative Region ("HKSAR") are insured by the government authorities up to RMB500,000 and HKD500,000, respectively. Total bank deposits are insured by the government authority with amounts up to RMB11,631,710 and RMB7,266,814 as of December 31, 2022 and December 31, 2021, respectively.

The Company expects that there is no significant credit risk associated with the cash and short-term investment which are held by reputable financial institutions. The Company believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

The Company has no significant concentrations of credit risk with respect to its prepaid expenses and other current assets.

Accounts receivable are unsecured and are primarily derived from revenue earned from sub-franchisees. The risk with respect to accounts receivable is mitigated by credit evaluations performed on them.

**Concentration of operating risk**

The Company owns, operates and franchises stores in the PRC, including Hong Kong and Macau under the "Tim Hortons" brand. Such business activities are solely dependent upon its master development agreement with THRI. The Company's failure to comply its master development agreement with THRI would have a material adverse effect on its financial condition, results of operations, and cash flows.

**Cash**

The Company's cash consist of cash on hand and cash held in banks. Cash are deposited in financial institutions at below locations:

Cash at bank is deposited in financial institutions at below locations:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Cash on hand</b>	<b>212,598</b>	<b>132,127</b>
Financial institutions in Mainland China		
—Denominated in RMB	102,427,994	30,060,065
—Denominated in USD	69,063,161	45,515,503
<b>Total cash balances held at Mainland China financial institutions</b>	<b>171,491,155</b>	<b>75,575,568</b>
Financial institutions in HKSAR		
—Denominated in RMB	5,192	—
—Denominated in USD	67,368,485	315,129,691
<b>Total cash balances held at the HKSAR financial institutions</b>	<b>67,373,677</b>	<b>315,129,691</b>
<b>Total cash balances held at financial institutions</b>	<b>238,864,832</b>	<b>390,705,259</b>
<b>Total cash balances</b>	<b>239,077,430</b>	<b>390,837,386</b>



**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition***

The Company adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, since its incorporation. The Company’s revenues are mainly generated from sales of food, beverage and packaged products by Company owned and operated stores, franchise fees, revenues from other franchise support activities and revenue from e-commerce sales and wholesale products.

Sales of food, beverage and packaged products by Company owned and operated stores

The Company generates majority of its revenue from sales of food, beverage and packaged products to customers by Company owned and operated stores. The revenue amounts exclude sales-related taxes.

For customers who visit the Company’s stores, sales revenue is recognized when Company satisfies its obligation by transferring control of the good to the customer.

The Company also offers its customers food, beverage and packaged products through third-party aggregators’ platforms. When orders are completed by the stores and control of the food, beverage and packaged products is transferred to the delivery staff of third-party aggregators, which control and determine the price for the delivery service, the Company recognizes revenue, excluding delivery fees.

Franchise fees

Franchise fees primarily include upfront franchise fees, continuing fees and revenue from advertising services.

The Company grants franchise rights to sub-franchisees in exchange for upfront franchise fees and continuing fees. The Company recognizes upfront franchise fees received from a sub-franchisee as revenue over the term of the franchise agreement because the franchise rights are accounted for as rights to access the Company’s symbolic intellectual property in accordance with ASC 606. The Company recognizes continuing fees, which are based upon a percentage of sub-franchisee sales, as those sales occur.

For advertising services, the Company often engages third parties to provide services and acts as a principal in the transaction based on its responsibilities of defining the nature of the services and administering and directing all marketing and advertising programs in accordance with the provisions of the Company’s franchise agreements. The Company collects advertising contributions, which are generally based on certain percentage of sales from sub-franchisees. Advertising services provided to sub-franchisees are highly interrelated to franchise right, and are not considered individually distinct. The Company recognizes revenue from advertising services when the related sales occur.

Revenues from other franchise support activities

Other franchise support activities mainly consist of sales of kitchen equipment, raw materials for food, beverage and packaged products and provision of pre-opening and training services to sub-franchisees. These support activities provide stand-alone benefits to the sub-franchisees which are separate from the franchise right and are considered as distinct performance obligations of the Company. The Company recognizes the corresponding revenue of these sales and services when kitchen equipment or products are delivered to and accepted by the sub-franchisees and over the period of time when services are provided, respectively, at the amount that the Company is entitled to receive in exchange.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

Loyalty program

The Company operates a loyalty program that allows registered members to earn points for each qualifying purchase. Points, which generally expire 12 months after being earned, may be redeemed for future purchases of products for free or at a discounted price in Company owned and operated stores. Points cannot be redeemed or exchanged for cash. The Company defers revenue associated with the estimated selling price of the points earned by the loyalty program members, as contract liabilities on the Consolidated Balance Sheets. The Company subsequently recognizes revenue when the points are redeemed or expired. The Company estimates the value of the product for which points are expected to be redeemed and redemption patterns, including an estimate of the breakage for points that members will never redeem. The Company reviews the estimated value of points at least annually based upon the latest available information regarding redemption and expiration patterns.

Revenue from e-commerce sales and wholesale products

The Company generates revenue from e-commerce sales, consisting of sale of packaged coffee, tea beverages and single-serve coffee and tea products to customers through third-party e-commerce platforms. The Company recognizes revenue when the control of the goods is transferred to the customers, which occurs upon the delivery of goods.

Beginning from year 2022, the Company generated revenue from wholesale of canned coffee beverage and packaged coffee extract. The Company recognizes revenue when the control of the goods is transferred to the customers, which occurs upon the delivery of goods.

**Accounts receivable**

Accounts receivable primarily consist of receivables from sub-franchisees which are recognized and carried at the original invoice amount less an allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts primarily based on the aging of the receivables and factors surrounding the credit risk of specific sub-franchisees. Accounts receivable balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2022 and 2021, the Company has an allowance for doubtful accounts balance of RMB2.36 million and nil respectively. As of December 31, 2022 and 2021, the Company do not have off-balance-sheet credit exposure related to its sub-franchisees.

**Receivables from Payment Processors and Aggregators**

Receivables from payment processors such as WeChat and Alipay and aggregators are amounts due from them for clearing transactions and are included in prepaid expenses and other current assets. The cash was paid by customers through these payment processors and aggregators for food and goods provided by the Company. The Company considers and monitors the credit worthiness of the third-party payment processors and aggregators. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Receivable balances are written off after all collection efforts have been exhausted and the potential for recovery is considered remote.

**Deferred Offering Costs**

Deferred offering costs consist of underwriting, legal, accounting and other expenses incurred through the balance sheet date that are directly related to the proposed offering and that would be charged to shareholders' equity upon the completion of the proposed offering. Should the proposed offering prove to be unsuccessful, these deferred offering costs will be charged to the Consolidated Statements of Operations.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Inventories***

Inventories are stated at the lower of cost (determined by the first-in, first-out method) and net realizable value. Net realizable value is the estimated selling price of the inventory in the ordinary course of business less reasonably predictable costs of disposal. Adjustments are recorded in the cost of revenues to write down the carrying amount of any obsolete and excess inventory to its estimated net realizable value based on historical and forecasted demand.

***Property and Equipment***

Property and equipment are stated at cost, net of accumulated depreciation and impairment, if any. The Company calculates depreciation and amortization on a straight-line basis over the estimated useful lives of the assets as follows: 3 to 15 years for furniture and office equipment, 4 to 12 years for kitchen equipment, 3 to 5 years for capitalized software costs, and shorter of the estimated useful lives and remaining lease term for leasehold improvements. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

The Company capitalizes items associated with construction but not yet placed into service, as construction in progress (CIP). Items capitalized include fees associated with the design, build out and furnishing of the stores. Store CIP is not amortized or depreciated until the related assets are ready for intended use. Items are placed into service according to their asset category when the store is open for service.

***Internal Development Costs***

Capitalized internal costs include payroll expenses related to employees fully dedicated to store construction, decoration design and store site acquisition. Capitalized payroll costs are allocated to each new store location based on the actual time spent on each project. The Company commences capitalizing costs related to construction, decoration design and store site acquisition when it becomes probable that the project will be developed – when the site has been identified and the related profitability assessment has been approved.

***Intangible Assets***

Intangible assets include the franchise right authorized by THRI and upfront franchise fees requested to pay to THRI upon opening of a new store. The franchise right authorized by THRI is amortized on a straight-line basis over the initial term of 20 years. The upfront franchise fees related to both Company owned and operated stores and franchised stores are capitalized as an intangible asset and amortized on a straight-line basis over the term of each individual franchise agreement, which ranges from 2 to 12 years.

***Delivery Costs***

Delivery costs are expenses incurred for delivery of food and beverage products sold to customers through third-party aggregator platforms. The Company incurred delivery costs of RMB73,615,391, RMB38,604,864 and RMB12,232,737 for the years ended December 31, 2022, 2021 and 2020, respectively.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Impairment of Long-Lived Assets***

The Company reviews long-lived assets (including property and equipment and intangible assets with definite useful lives and operating lease right-of-use (“ROU”) assets for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For purposes of impairment testing for individual store, we have concluded that an individual store is the asset group with independent cash flows. If an indicator of impairment exists for an individual store, an estimate of undiscounted future cash flows produced by each individual store is compared to its carrying value. If an individual store is determined to be impaired, the loss is measured by the excess of the carrying amount of the store over its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The impairment losses were RMB7,222,765, RMB1,001,880 and nil for the years ended December 31, 2022, 2021 and 2020, respectively.

***Employee Benefits***

The Company’s subsidiaries in the PRC participate in a government mandated, multi-employer, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. PRC labor laws require the entities incorporated in the PRC to pay to the local labor bureau a monthly contribution calculated at a stated contribution rate on the monthly basic compensation of qualified employees. The Company has no further commitments beyond its monthly contribution. Employee social benefits included as expenses in the accompanying consolidated statement of operations amounted to RMB87,557,303, RMB60,189,806 and RMB10,441,439 for the years ended December 31, 2022, 2021 and 2020, respectively.

As a result of COVID-19, the PRC government exempted or reduced certain enterprises’ contributions to basic pension insurance, unemployment insurance, and work injury insurance (“certain social insurance”). The Company’s PRC subsidiaries were exempted from contributions to certain social insurance during the period of February 2020 through December 2020. The exemption was recognized as a reduction of Company owned and operated store expenses and general administrative expenses in the total amount of RMB10,518,612 for the year ended December 31, 2020.

***Share-Based Compensation***

Share-based awards granted to employees and directors in the form of share options and restricted share units are subject to service and performance conditions. They are measured at the grant date fair value of the awards, and are recognized as compensation expense over the service period for the entire award on a graded-vesting basis and when performance conditions are probable of being achieved. The Company elects to recognize the effect of forfeitures in compensation costs when they occur. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Share-based payment granted to non-employees in the form of ordinary shares are subject to service and performance conditions. They are measured at the fair value of the goods or services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instrument granted. The fair value of the share-based payment to non-employees classified as liability is periodically re-measured until the settlement of the payment, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with stock options.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Asset Retirement Obligations***

The Company recognizes an asset and a liability for the fair value of an asset retirement obligation (“ARO”) when such an obligation is incurred. The Company’s AROs are primarily associated with leasehold improvements which, at the end of the lease, the Company is contractually obligated to remove in order to comply with the lease agreement. As such, the Company amortizes the asset on a straight-line basis over the lease term and accrete the liability to its nominal value using the effective interest method over the lease term.

***Commitments and Contingencies***

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

***Non-controlling Interests***

The Company reports net loss attributable to non-controlling interests separately on the face of the Consolidated Statements of Operations. The portion of equity attributable to non-controlling interests is reported within equity, separately from the Company’s Shareholders’ equity on the Consolidated Balance Sheets.

***Leases***

Prior to the adoption of Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASC 842”) and subsequent amendments issued by the Financial Accounting Standards Board (“FASB”) on January 1, 2022, operating leases were not recognized on the balance sheet, but rental expense from operating leases that contain rent holidays or scheduled rent increases were recognized on a straight-line basis over the lease term. Contingent rentals based on sales levels in excess of stipulated amounts or solely based on a percentage of the store’s sales, are included in rental expense when attainment of the contingency is considered probable (e.g., when Company sales occur).

The Company adopted ASC 842 on January 1, 2022, using a modified retrospective method for leases that exist at, or are entered into after, January 1, 2022, and has not recast the comparative periods presented in the consolidated financial statements.

Upon adoption of ASC 842, ROU assets and lease liabilities are recognized upon lease commencement for operating leases based on the present value of lease payments over the lease term. As the rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate at the lease commencement date in determining the imputed interest and present value of lease payments. The incremental borrowing rate was determined using a portfolio approach based on the rate of interest that the Company would have to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The incremental borrowing rate is primarily influenced by the risk-free interest rate of China, the Company’s credit rating and lease term.

For operating leases, the Company recognizes a single lease cost on a straight-line basis over the lease term. For rental payments either based on a percentage of the store’s sales in excess of a fixed base amount or solely based on a percentage of the store’s sales, they are recognized as variable lease cost as incurred.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Leases (Continued)***

The Company does not have finance leases for the years ended December 31, 2022, 2021 and 2020.

The Company has elected not to recognize ROU assets or lease liabilities for leases with an initial term of 12 months or less; the Company recognizes rental expense for these leases on a straight-line basis over the lease term. In addition, the Company has elected not to separate non-lease components (e.g., common area maintenance fees) from the lease components.

Rental expenses incurred for company owned and operated stores are separated from other operating expenses.

***Advertising and Promotional Expenses***

The Company records advertising and promotional costs in the marketing expenses as incurred. The advertising and promotional costs were RMB81,017,100, RMB50,316,856 and RMB16,986,023 for the years ended December 31, 2022, 2021 and 2020, respectively.

***Government Subsidies***

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. Government subsidies are recognized when it is probable that the Company will comply with the conditions attached to them, and the subsidies will be received. A government subsidy related to an asset is deferred and recorded in other liabilities and then recognized as other income ratably over the expected useful life of the related asset in the Consolidated Statement of Operations. A government subsidy that compensates the Company for expenses or losses to be incurred in the future is deferred and recorded in other liabilities and recognized as other income in the periods in which the expenses or losses are recognized. Government grant for the purpose of giving immediate financial support to the Company with no future related costs is recognized as other income in the Consolidated Statement of Operations when the grant becomes receivable.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expenses and penalties in general and administrative expenses.

A valuation allowance to reduce the carrying amount of deferred income tax assets is established when it is more likely than not that the Company will not realize some portion or all of the tax benefit of its deferred income tax assets. The Company evaluates, on a quarterly basis, whether it is more likely than not that its deferred income tax assets are realizable. In performing this analysis, the Company considers all available evidence, both positive and negative, including historical operating results, the estimated timing of future reversals of existing taxable temporary differences, estimated future taxable income exclusive of reversing temporary differences and carryforwards and potential tax planning strategies that may be employed to prevent operating loss or tax credit carryforwards from expiring unused.

***Loss Per Share***

Basic loss per share represents net loss to shareholders divided by the weighted-average number of ordinary shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares.

***Operating Segments***

The Company's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company. For the purpose of internal reporting and management's operation review, the Company's chief executive officer does not segregate the Company's business by product or service. Management has determined that the Company has one operating segment, which is Tim Hortons brand segment.

***Fair Value Measurements***

The Company applies ASC 820, *Fair Value measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring and non-recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Fair Value Measurements (Continued)***

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

The Company's financial instruments primarily include cash, accounts receivable, prepaid expenses and other current assets, short-term investment, short-term bank borrowings and long-term bank borrowings, accounts payable, amount due to related parties, other current liabilities, liability-settled share-based payment to non-employee, derivative financial liabilities and convertible notes. The long-term bank borrowings approximate their fair values, because these borrowings carry interest rates which approximate rates currently offered by the Company's bankers for similar debt instruments of comparable maturities. The Company's convertible notes, liability-settled share-based payment to non-employee and derivative financial liabilities were measured at fair value using unobservable inputs and categorized in Level 3 of the fair value hierarchy. The Company's short-term investment was measured at fair value using significant observable inputs other than quoted prices and categorized in Level 2 of the fair value hierarchy.

As of December 31, 2022 and 2021, the carrying amounts of other financial instruments approximate their fair value due to their short-term nature.

***Statutory Reserve***

In accordance with the PRC Company Laws, the paid-in capitals of the PRC subsidiaries are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation.

In addition, in accordance with the PRC Company Laws, the PRC subsidiaries must make appropriations from their after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the PRC companies. Appropriation to the discretionary surplus fund is made at the discretion of the PRC companies. The statutory surplus fund and discretionary surplus fund are restricted for use. They may only be applied to offset losses or increase the registered capital of the respective companies. These reserves are not allowed to be transferred to the Company by way of cash dividends, loans or advances, nor can they be distributed except for liquidation. As of December 31, 2022 and 2021, there was no statutory surplus fund and discretionary surplus fund by the Company's PRC subsidiaries, as these PRC companies were in accumulated losses as determined under PRC GAAP.

As of December 31, 2022, the paid-in capitals of the PRC subsidiaries in the amount of RMB789,217,070 are the Company's restricted net assets.



**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)**

***Recently Adopted Accounting Standards***

In February 2016, the FASB issued ASC 842, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The FASB subsequently issued amendments to clarify the implementation guidance. The Company adopted ASC 842 on January 1, 2022, using a modified retrospective method for leases that exist at, or are entered into after, January 1, 2022, and has not recast the comparative periods presented in the consolidated financial statements.

The Company has elected the package of the transition practical expedients, including (1) not to reassess whether any expired or existing contracts, including land easements that were not previously accounted for as leases, are or contain leases, (2) not to reassess the lease classification for any expired or existing leases, and (3) not to reassess initial direct costs for any existing leases.

The following table summarizes the effect on the consolidated balance sheet as a result of adopting ASC 842.

	December 31, 2021 RMB	Effect of Adoption RMB	January 1, 2022 RMB
Prepaid expenses and other current assets	142,838,295	(15,272,677)(a)	127,565,618
Operating lease right-of-use assets	—	853,553,284 (b)	853,553,284
Lease liabilities-current	—	(133,024,693)(c)	(133,024,693)
Other current liabilities	(286,078,575)	4,351,416 (d)	(281,727,159)
Lease liabilities-non-current	—	(752,579,348)(c)	(752,579,348)
Other non-current liabilities	(47,167,706)	42,972,018 (d)	(4,195,688)

- (a) Represents the current portion of prepaid rental expenses reclassified to operating lease right-of-use assets.
- (b) Represents the net result of capitalization of operating lease payments and reclassification of prepaid rental expenses.
- (c) Represents the recognition of current and non-current lease liabilities.
- (d) Represents the reclassification of current and non-current accrued rental expenses to lease liabilities.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance, which requires business entities (except for not-for-profit entities and employee benefit plans) to disclose information about certain government assistance they receive. The Topic 832 disclosure requirements include: (i) the nature of the transactions and the related accounting policy used; (ii) the line items on the balance sheet and income statement that are affected and the amounts applicable to each financial statement line item; and (iii) significant terms and conditions of the transactions. The ASU is effective for the Company for fiscal years beginning after December 15, 2021. The ASU will be applied to government assistance received on or after the effective date. The Company adopted ASU 2021-10 as of January 1, 2022 and the adoption did not have a material effect on the Company's consolidated financial statements.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**3. Summary of Significant Accounting Policies (Continued)*****Recently Issued Accounting Standards***

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. ASU 2016-13 was further amended in November 2019 by ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842). As a result, ASC 326, Financial Instruments—Credit Losses, is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2019. For all other entities, it is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. As the Company is an “emerging growth company” and elects to apply for the new and revised accounting standards at the effective date for a private company, the Company will adopt ASU 2016-13 for the fiscal year ending December 31, 2023. The Company does not expect the adoption to have a material effect on its consolidated financial statements.

**4. Short-term Investment**

In accordance with the ESA Agreement (see Note 15), with the written consent from Shaolin in August 2022, the Company used cash in the collateral account to invest in eligible investments. Written consent from Shaolin shall also be required in the circumstance of trading or substitution of eligible investments. The Company shall pay to Shaolin and/or the ESA Investors, at the written direction of Shaolin, an amount of cash in USD equal to the aggregate amount of interest accrued on the funds held in the collateral account in excess of US\$100,000, up to a maximum of US\$300,000. In the situation whereby there is a net loss in investment in the future, the Company is obligated to compensate the net loss in the collateral account.

In September 2022, the cash in the collateral account amounting to US\$53,169,218 (equivalent to RMB377,490,814) was used to acquire securities issued by a financial institution in United States of America. These securities are financial products and the underlying assets are US treasury bonds. These securities are classified as Available-for-Sale securities (“AFS”) in accordance with ASC 320 because these securities are not acquired for trading purpose and they do not have maturity dates either. AFS are recorded at fair value in the consolidated balance sheets. Unrealized gains and losses on AFS are recognized in other comprehensive income, while realized gains and losses and impairment losses are recognized in consolidated statements of operations. Upon sale, gains and losses are reclassified from other comprehensive income into earnings based on specific identification of securities sold. The AFS securities are determined to be restricted because the Company is unable to trade or substitute these securities without written consent from Shaolin. As of December 31, 2022, unrealized losses on the AFS securities of RMB2,133,528 were recognized in other comprehensive income and no realized gains and losses and impairment losses are recognized.

**5. Accounts Receivable, net**

Accounts receivable, net of nil of allowance for doubtful accounts consist of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	7,973,229	9,817,292
Less: allowance for doubtful accounts	(2,356,034)	—
Accounts receivable, net	<u>5,617,195</u>	<u>9,817,292</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Beginning balance	—	—
Provision	2,356,034	—
Ending balance	<u>2,356,034</u>	<u>—</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**6. Inventories**

Inventories consist of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Food, beverage and packaged products	52,713,996	31,858,814
Merchandise for e-commerce sales	14,164,790	6,927,512
Others	4,588,731	3,693,077
	<u>71,467,517</u>	<u>42,479,403</u>

Provision for Inventories write-down was RMB387,999, nil and nil for the years ended December 31, 2022, 2021 and 2020, respectively.

**7. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consist of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Creditable input VAT	69,665,847	50,212,274
Short-term deposits	3,468,215	4,161,725
Receivables from payment processors and aggregators	10,217,082	17,701,386
Prepaid rental expenses	—	15,272,677
Prepaid marketing expenses	11,582,119	14,666,752
Deferred offering costs	—	18,475,035
Others	13,341,468	22,348,446
	<u>108,274,731</u>	<u>142,838,295</u>

**8. Property and Equipment, Net**

Property and equipment, net, consist of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Furniture and office equipment	57,867,896	44,636,186
Kitchen equipment	199,362,443	151,405,306
Software	56,181,672	30,171,796
Leasehold improvements	602,788,920	408,353,529
Construction in progress	22,971,178	15,747,154
Property and equipment, gross	939,172,109	650,313,971
Less: accumulated depreciation	(214,000,566)	(96,298,740)
Less: accumulated impairment loss	(5,135,573)	—
Property and equipment, net	<u>720,035,970</u>	<u>554,015,231</u>

Depreciation and amortization related to property and equipment was RMB124,083,503, RMB67,512,655, and RMB23,702,255 for the years ended December 31, 2022, 2021 and 2020, respectively.

Impairment loss was RMB7,222,765, RMB1,001,880 and nil for the years ended December 31, 2022, 2021 and 2020.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**9. Intangible Assets, Net**

Intangible assets, net consist of the following:

	Amortization Period (years)	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Franchise right - authorized by THRI	20	69,646,000	63,757,000
Franchise right – upfront franchise fees	2-12	51,035,322	28,156,287
Less: accumulated amortization		<u>(24,663,009)</u>	<u>(14,319,607)</u>
Intangible assets, net		<u>96,018,313</u>	<u>77,593,680</u>

Amortization of intangible assets was RMB9,319,001, RMB6,763,487 and RMB4,136,128, out of which, RMB3,712,684, RMB3,223,700 and RMB 3,444,650 was recognized in Franchise and royalty expenses for the years ended December 31, 2022, 2021 and 2020, respectively.

The estimated future amortization expenses related to the intangible assets are set forth as follows:

Year ending December 31, 2023	11,511,475
2024	11,361,548
2025	11,069,647
2026	10,139,360
2027	8,665,568
Thereafter	43,270,715
	<u>96,018,313</u>

**10. Other Non-Current Assets**

Other non-current assets consist of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term rental deposits	<u>82,270,359</u>	<u>67,311,223</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**11. Bank Borrowings**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term borrowings	386,819,972	188,959,323
Long-term borrowings due within one year	20,987,521	3,096,000
Total current bank borrowings	<u>407,807,493</u>	<u>192,055,323</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total Long-term bank borrowings	29,787,537	14,999,452
Less: Long-term borrowings due within one year	(20,987,521)	(3,096,000)
Long-term borrowings due after one year	<u>8,800,016</u>	<u>11,903,452</u>

The Company's subsidiaries entered into RMB denominated credit facility agreements with commercial banks in the PRC, which allow the Company to draw down borrowings up to RMB 896,604,194 and USD10,000,000 (equivalent to RMB69,415,215) as of December 31, 2022. As of December 31, 2022, the unused credit limits under credit facility agreements were RMB549,411,900.

As of December 31, 2022 and 2021, the outstanding short-term bank borrowings balance under those credit facility agreements bore interest rates ranging from 3.5% to 4.5% and 3.9% to 4.5% per annum, respectively.

As of December 31, 2022 and 2021, the outstanding long-term bank borrowings balance under those credit facility agreements bore interest rates ranging from 4.2% to 4.6% and 4.2% per annum, respectively.

The aggregate maturities of the above long-term bank borrowings for each year subsequent to December 31, 2022 are summarized as follows:

	RMB
2023	20,987,521
2024	7,410,534
2025	1,389,482
Thereafter	—
	<u>29,787,537</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**12. Contract Liabilities**

Contract liabilities – current as of December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deferred revenue related to customer loyalty program	12,179,748	8,312,436
Advance from customers related to coupons and gift cards	8,573,239	5,208,549
Deferred revenue related to upfront franchise fees received from sub-franchisees	750,618	230,968
Others	618,700	377,358
	<u>22,122,305</u>	<u>14,129,311</u>

Contract liabilities – non-current as of December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deferred revenue related to upfront franchise fees received from sub-franchisees	<u>3,311,176</u>	<u>970,486</u>

Contract liabilities primarily consist of deferred revenue related to customer loyalty program and advance from customers related to coupons and gift cards. The deferred revenue related to customer loyalty program and advance from customers related to coupons and gift cards are expected to be recognized as revenue in the next 12 months from the balance sheet date.

As of December 31, 2022, the Company had RMB4,061,794 of deferred revenues related to upfront franchise fees which are expected to be recognized as revenues over the remaining contract periods of each individual franchise agreement and of which RMB750,618 is expected to be recognized in the next 12 months, RMB3,311,176 is expected to be recognized in next 2 to 10 years.

Revenue recognized in year 2022 that was included in the contract liability balance at the beginning of the year amounts to RMB13,829,722.

The Company has elected, as a practical expedient not to disclose the value of remaining performance obligations associated with sales-based royalty promised to sub-franchisees in exchange for franchise right and other related services.

**13. Commitments and Contingencies**

Pursuant to the master development agreement (see note 1), the Company is required to pay an upfront franchise fee for each Company owned and operated store and franchise store, and a continuing franchise fee for each Company owned and operated store and franchise store, calculated as certain percentage of the store's monthly gross sales, depending on when the store is opened. The upfront franchise fee and continuing franchise fee were RMB23,553,799 and RMB31,882,569 for the year ended December 31, 2022, and RMB24,265,373 and RMB15,576,324 for the year ended December 31, 2021, respectively. The outstanding accrued franchise fee due to THRI were RMB10,390,081 and RMB6,863,322 as of December 31, 2022 and 2021, respectively, which was recorded as amount due to related parties in the Consolidated Balance Sheets.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**14. Leases**

The Company leases over 500 company-owned stores and office space as of December 31, 2022. Most leases provide for fixed monthly payment and certain leases also include provisions for contingent rent, determined as a percentage of sales.

Generally, the Company does not have renewal options for leases. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of rental expense for the year ended December 31, 2022 were as follows:

	RMB
Operating lease cost	254,209,990
Variable lease cost	(3,718,849)
Short-term lease cost	113,048
Total rental expense	<u>250,604,189</u>

The Company was granted RMB16,816,763 in lease concessions from landlords related to the effects of the COVID-19 pandemic for the year ended December 31, 2022. The lease concessions were primarily in the form of rent reduction over the period when the Company's business was adversely impacted. The Company applied the interpretive guidance in a FASB staff question-and-answer document issued in April 2020 and elected not to evaluate whether a concession received in response to the COVID-19 pandemic is a lease modification and to assume such concession was contemplated as part of the existing lease contract. Such concession was recognized as negative variable lease cost in the period the concession was granted.

Amounts reported in the consolidated balance sheet as of December 31, 2022 were as follows:

Asset	RMB
Operating lease right-of-use assets	946,872,784
<b>Liabilities</b>	
<b>Current</b>	
Current operating lease liabilities	180,468,426
Non-current operating lease liabilities	820,248,803
Total operating lease liabilities	<u>1,000,717,229</u>

Other information related to operating leases as of December 31, 2022 was as follows:

	RMB
Cash paid for amounts included in the measurement of lease liabilities	206,073,929
Right-of-use assets obtained in exchange for new lease liabilities	241,609,016
Weighted-average remaining lease term (years)	5.61
Weighted-average discount rate	5.96 %

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**14. Leases (Continued)**

Maturities of operating lease liabilities under non-cancellable leases as of December 31, 2022 are as follows:

	<u>Operating lease commitments</u>
Year ending December 31, 2023	261,058,233
2024	265,552,769
2025	247,539,671
2026	204,062,024
2027	143,088,301
Thereafter	<u>155,132,379</u>
Total undiscounted lease payments	1,276,433,377
Less: imputed interest	(275,716,148)
Total lease liabilities	<u>1,000,717,229</u>

**15. Derivative Financial Liabilities**

Warrant liabilities

On September 28, 2022, the Company issued 22,900,000 Warrants, which consists of 17,250,000 Public Warrants, 4,450,000 Sponsor Warrants and 1,200,000 PIPE Warrants (see Note 1). The Public Warrants have been traded on the Nasdaq Capital Market from September 29, 2022, while the Sponsor Warrants and the PIPE Warrants (collectively, the “Private Warrants”) which are held by the Sponsor, the PIPE Investors or any of their permitted transferees are not traded. The Private Warrants that are transferred to persons other than the permitted transferees shall upon such transfer cease to be Private Warrants and shall become Public Warrants.

The key terms of Warrants are summarized as follows:

The private placement warrants became exercisable on October 28, 2022, and the public warrants became exercisable on December 23, 2022. The Warrants will expire five years from September 28, 2022 or earlier upon redemption or liquidation.

Each Warrant can be exercised at an exercise price of US\$11.50 in exchange for one ordinary share of the Company. The exercise price and number of ordinary shares issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the events of (i) a capitalization or share dividend, or a sub-division or other similar event; (ii) extraordinary dividend; (iii) a consolidation, combination, reverse share split or reclassification or other similar event.

For the Public Warrants, (i) if the price per ordinary share equals or exceeds US\$18.00, the Company has the right to redeem the outstanding Public Warrants, in whole and not in part, at a price of US\$0.01 per warrant; and (ii) if the price per ordinary share equals or exceeds US\$10.00 but less than US\$18.00, the Company has the right to redeem the outstanding Public Warrants, in whole and not in part, at a price of US\$0.1 per warrant, and the Private Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants. Before the Warrants redeemed by the Company under the circumstance set out in the contract, the warrant holders will be able to exercise their Warrants on a cashless basis and receive that number of shares determined based on the redemption date and the fair market value of ordinary shares. The “cashless basis” means that the warrant holders would pay the exercise price by surrendering his, her or its Warrants for that number of ordinary shares.



**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**15. Derivative Financial Liabilities (Continued)**

The Private Warrants are identical to the Public Warrants, except that so long as they are held by the initial holders of these warrants and their permitted transferees, they (i) may be exercised for cash or on a cashless basis; (ii) includes the ordinary shares issuable upon exercise of the Private Warrants, may not be transferred, assigned or sold until 30 days after September 28, 2022; (iii) shall not be redeemable by the Company if the price per ordinary Share equals or exceeds US\$18.00; (iv) shall only be redeemable by the Company, in whole and not in part, at a price of US\$0.1 per warrant, if the price per ordinary share equals or exceeds US\$10.00 but less than US\$18.00. In addition, the Sponsor Warrants and the ordinary shares underlying the Sponsor Warrants are subject to lock-up restrictions. In certain cases, the calculation of exercise price may be different based on the valuation models for Public Warrants as compared to Private Warrants.

In case of any reclassification or reorganization of the outstanding ordinary shares (other than those described above or that solely affects the par value of such ordinary shares), or in the case of any merger or consolidation of the Company with or into another corporation or entity (other than a consolidation or merger in which the Company is the continuing corporation or company and that does not result in any reclassification or reorganization of the Company's outstanding ordinary shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the holders of the Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of ordinary shares immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of ordinary shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Warrants would have received if such holder had exercised their Warrants immediately prior to such event.

Management considers Public Warrants and Private Warrants as liabilities and measures them at fair value in accordance with ASC 815, with fair value changes recognized in the Unaudited Condensed Consolidated Statement of Operations, because:

(i) for the Private Warrants, there is a settlement provision which is applied differently if the Private Warrants are transferred to a nonpermitted transferees and thus become the Public Warrants. In the case, the settlement amount (i.e., exercise price or number of shares) of the Private Warrants depends on the holder;

(ii) for both the Private Warrants and Public Warrants, in the events of reclassification and reorganization (which is outside the control of the Company), the warrant holders are entitled to receive cash, but not the holders of all shares underlying the warrants.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**15. Derivative Financial Liabilities (Continued)****Contingent cash settlement features of ESA Transaction (“ESA derivative liabilities”)**

According to the ESA Agreement and Amendment No.2 To Equity Support Agreement entered into as of December 27, 2022, the Company will receive the proceeds from the collateral account at the end of each of Reference Period: (i) the First Reference Period: the 27 consecutive Volume Weighted Average Price trading days (“VWAP Trading Days”) beginning on, and including, December 29, 2022, if such date is a VWAP Trading Day, or the next immediate VWAP Trading Day following December 29, 2022, if December 29, 2022 is not a VWAP Trading Day; (ii) the Second Reference Period: the 30 consecutive VWAP Trading Days beginning on, and including, the 145th calendar day immediately following the Closing Date; and (iii) the Third Reference Period: the 30 consecutive VWAP Trading Days beginning on, and including, the 235th calendar day immediately following the Closing Date. In each case, subject to acceleration and postponement in certain circumstances set forth in the ESA Agreement, the proceeds to be received by the Company at the end of each Reference Period will be an amount equal to the agreed number of shares provided in ESA Agreement multiplied by the lesser of (i) an agreed price provided in ESA Agreement (US\$10.40 in the First Reference Period, US\$10.60 in the Second Reference Period and US\$10.90 in the Third Reference Period) and (ii) the average Volume Weighted Average Price for the Reference Period (“Reference Price”). Concurrently, the Company shall pay to the ESA Investors a Reference Period Payment, which is an amount equal to the agreed number of shares multiplied by (i) if Reference Price is less than the agreed price, an amount equal to agreed price minus the reference price for the Reference Period, or (ii) if the Reference Price for the Reference Period is greater than or equal to the agreed price, zero. At the end of the final Reference Period, the outstanding cash balance in the collateral account shall be released to the Company. Within five business days following the release of the outstanding cash balance of the collateral account, the Company shall pay to the ESA Investors and/or Shaolin, at the direction of Shaolin, the aggregate amount of interest accrued on the funds held in the collateral account prior to the release less US\$100,000, up to a maximum of US\$300,000.

The contingent cash settlement features of ESA agreement were determined to be classified as liabilities measured at fair value in accordance with ASC 815, with fair value changes recognized in the Unaudited Condensed Consolidated Statement of Operations, since the Company does not have an unconditional right to avoid delivering cash.

As of December 31, 2022, the balance of derivative financial liabilities measured at fair value was summarized as below:

	RMB
Short-term derivative financial liabilities:	
ESA derivative liabilities	269,251,436
Long-term derivative financial liabilities:	
Warrant liabilities	19,083,004
	<u>288,334,440</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**16. Other Current Liabilities**

Other current liabilities consist of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued payroll and employee-related costs	88,469,812	47,194,542
Payable for acquisition of property and equipment	139,578,631	172,981,034
Guarantee deposits	11,695,000	6,620,000
Accrued marketing expenses	11,901,810	10,639,627
Sundry taxes payable	6,707,784	2,329,431
Accrued professional service fees	9,076,767	8,205,320
Accrued offering costs (i)	4,039,468	9,164,827
Accrued rental expenses	4,242,805	3,210,387
Other accrual expenses	34,742,278	25,733,407
	<u>310,454,355</u>	<u>286,078,575</u>

- (i) In August 2022, the Company entered into a professional services contract with a financial intermediary firm pursuant to which, the firm provided professional services to the Company in connection with Merger Transactions and the Company is obligated to pay a service fee of US\$3,000,000. Under the agreement, the Company settled US\$1,000,000 of the service fee in cash in October 2022 and has an option at its sole discretion to settle the remaining US\$2,000,000 of the service fee in year 2023 either in cash or by issuing 200,000 ordinary Shares of the Company when certain conditions were met upon the consummation of the Merger Transactions on September 28, 2022. The Company accounted for the option to settle such service fee in ordinary shares as a liability-settled share-based payment. The option is re-measured at fair value periodically until the settlement of payment. As of December 31, 2022, the fair value of options is US\$580,000 (equivalent to RMB4,039,468).

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**17. Convertible Notes, at fair value**

**Convertible Senior Notes due December 10, 2026 issued by the Company**

On December 10, 2021, the Company issued convertible notes due December 10, 2026 (“Maturity Date”) in an aggregate principal amount of US\$50,000,000 (“Private Notes”) to certain investors at 2% discount, resulting in cash proceeds of US\$49,000,000. The Private Notes bear interest commencing from December 10, 2021, payable semi-annually in arrears on the interest payment dates falling on June 10 and December 10 of each year.

The key terms of Private Notes are summarized as follows:

Interest

For any interest payment period, the Company may, at its option, elect to pay interest on the Private Notes:

entirely in cash at 7.00% per annum if the Merger Transaction is consummated prior to September 30, 2022, otherwise at 10.00% per annum on or after September 30, 2022;

entirely by increasing the principal amount of the outstanding Private Notes or by issuing additional Private Notes (“PIK Interest”) having an aggregate principal amount equal to the amount of interest then due and owing at 9.00% per annum if the Merger Transaction is consummated prior to September 30, 2022, otherwise at 12% per annum on or after September 30, 2022.

Note Holders’ conversion right

At any time from (and including) the earlier of (i) September 30, 2022 and (ii) the date of closing of the Mergers until the Maturity Date, each holder of the Private Notes may, in its sole discretion, convert all of its Private Notes into a number of fully paid, validly issued and non-assessable ordinary shares of the Company. The initial conversion price is US\$11.50 per share, and subject to changes based on adjustment mechanism provided in the contracts of the Private Notes. Subsequently, the conversion price was adjusted to US\$10.85 per share in April 2023.

Company’s conversion option

If the Mergers occurs, at any time from the later of the date falling 24 months from December 10, 2021 and the effective date of the documents required by authorities, until the Maturity Date, the Company has the right, at its option, to convert all of the Private Notes outstanding at conversion price provided by the contracts of the Private Notes. The initial conversion price is US\$11.50 per share, and subject to changes based on adjustment mechanism provided in the contracts of the Private Notes. Subsequently, the conversion price was adjusted to US\$10.85 per share during the year ended December 31, 2022.

Repurchase

Each holder of a Private Note will have the right, after June 20, 2025, at its election, to require the Company to repurchase all of such holder’s Private Notes for a repurchase price at an amount in cash equal to the principal amount of such Private Notes plus accrued and unpaid interest.

Redemption

The Private Notes may be redeemed at the option of the Company in whole, but not in part, at any time before December 10, 2025, for a cash purchase price equal to the redemption price provided in the contract of the Private Notes based on the different scenarios.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**17. Convertible notes, at fair value (Continued)**

Tax redemption

The Private Notes may be redeemed at the option of the Company in whole, but not in part, at a redemption price equal to 102% of the principal amount, plus accrued and unpaid interest, as a result of any change in tax law.

The Company considered the Private Notes were issued at discount. As a result, The Company made a one- time irrevocable policy election at Private Notes' inception to elect the fair value option under ASC 825 and measure Private Notes at fair value. The fair value option election is made on an instrument-by-instrument basis. Subsequently, the component of fair value changes relating to the instrument specific credit risk of the Private Note is recognized in other comprehensive (loss)/income. Fair value changes, other than the impact of instrument specific credit risk is recognized in changes in fair value of financial instruments in the Consolidated Statement of Operations.

**Replacement of Private Notes**

On December 30, 2021, the Private Notes were replaced by convertible senior notes with no change of terms (the "Notes"). On December 30, 2021, such convertible senior notes have been registered on Singapore Exchange Limited under the security registration number US87251CAA45. The Notes bear interest commencing as of December 10, 2021, payable semi-annually in arrears on the interest payment dates falling on June 10 and December 10 of each year, commencing on June 10, 2022. The Notes mature on December 10, 2026.

The Company assessed that there were no changes in fair value of the replacement by the Notes immediately after the replacement compared to the fair value of Private Notes immediately before the replacement on the replacement date. As a result, the Company determined the replacement is subject to modification accounting in accordance with ASC 470-50.

As of December 31, 2022 and 2021, the balance of convertible notes measured at fair value was summarized as below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Convertible notes, at fair value	<u>354,080,264</u>	<u>318,466,215</u>

As of December 31, 2022 and December 31, 2021, the unpaid principal balance of the Convertible Notes was US\$ 50,000,000 (equivalent to RMB348,230,000 and RMB318,785,000 respectively). The difference between the fair value of the Convertible Notes and the unpaid principal balance of the Convertible Notes were US\$840,000 (RMB5,850,264) and US\$50,000 (RMB318,785) as of December 31, 2022 and December 31, 2021, respectively. The changes in fair value due to instrument-specific credit risk was RMB1,520,393 and RMB548,029 for the years ended December 31, 2022 and 2021, respectively.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**18. Revenue**

Revenue consist of the following:

	For the Years Ended December 31,		
	2022	2021	2020
Sales of food, beverage and packaged products by Company owned and operated stores	938,096,823	617,226,090	206,036,187
Franchise fees	4,537,599	1,923,149	794,608
Revenues from other franchise support activities	18,965,417	9,469,639	5,253,776
Revenues from wholesale activities	6,533,166	—	—
Revenue from e-commerce sales	41,635,451	13,117,118	—
Revenues from other activities	1,295,310	1,207,805	—
Provision of consumer research service to THRI	—	428,148	—
Total revenues	<u>1,011,063,766</u>	<u>643,371,949</u>	<u>212,084,571</u>

All of the property and equipment of the Company are physically located in the PRC. The geographical location of customers is based on the location at which the customers operate and all of the Company's revenue is derived from operations in the PRC for the years ended December 31, 2022, 2021 and 2020.

**19. Other Income**

Other income consists of the following:

	For the Years Ended December 31,		
	2022	2021	2020
Government grants	5,996,537	3,319,871	3,329,009
Others	1,155,918	156,000	9,779
Total other income	<u>7,152,455</u>	<u>3,475,871</u>	<u>3,338,788</u>

**20. Share-based Compensation****Share options**

On March 19, 2019, the Board approved the 2019 Share Option Scheme ("Scheme") to attract and retain key employees, which allowed for a maximum of 50,000,000 share units (equivalent to 14,486,152 ordinary shares after share split) to be issued under the Scheme ("Original Option Units").

On September 28, 2022, the terms of the Scheme were amended and restated to allow a maximum aggregate number of ordinary shares of the Company that may be issued under the Scheme to be 14,486,152 shares (proportionally adjusted to reflect any share dividends, share splits, or similar transactions).

The Company granted 1,666,000 Original Option Units (equivalent to 482,666 ordinary shares after share split) and 7,194,000 Original Option Units (equivalent to 2,084,268 ordinary shares after share split) to the employees or directors (collectively as "Grantees") during the years ended December 31, 2022 and 2021, respectively.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**20. Share-based Compensation (Continued)**

As of December 31, 2022, 12,579,311 Original Option Units (equivalent to 3,514,114 ordinary shares after share split) are exercisable. The following table sets forth the activities of Original Option Units for the year ended December 31, 2022:

	Number of Original Option Units	Weighted average exercise price US\$	Weighted average grant date fair value US\$	Weighted average remaining contractual years	Aggregate intrinsic value US\$
Outstanding as of January 1, 2022	27,098,000	0.31	0.27	6.80	38,324,597
Granted	1,666,000	1.06	—	—	—
Forfeited	(398,000)	0.56	—	—	—
Outstanding as of December 31, 2022	28,366,000	0.35	0.29	6.67	13,312,140
Expected to be vested as of December 31, 2022	28,366,000	0.35	0.29	6.67	13,312,140

During the years ended December 31, 2022 and 2021, the Company granted additional 460,756 share option units (equivalent to 133,494 ordinary shares after share split) and 955,643 share option units (equivalent to 276,872 ordinary shares after share split) to certain employees with an exercise price of US\$1.20 and US\$0.60 to settle the accrued bonus of RMB3,520,177 and RMB3,769,622 for these employees (“Additional Option Units”), respectively, which are immediately vested on the grant date and will become exercisable after a three-year pre-requisite service period, counting from the grant date. If employment of the Grantees is terminated (either voluntarily or involuntarily) prior to exercise, a cash payment equal to the cash bonus plus interest at the interest rate of People’s Bank of China for the term commencing on the signing date of Additional Option Units contract until the cease date is made to the Grantees. Upon exercise of the Additional Option Units, the cash settlement feature lapses. Since the Additional Option Unit is with two components in which exercise of one part cancels the other, in measuring compensation cost, the award is treated as a combination of: (i) a cash bonus payable in the amount of RMB3,520,177 plus interest and RMB3,769,622 plus interest for the years ended December 31, 2022 and 2021 respectively, and (ii) 460,756 Additional Option Units (equivalent to 133,494 ordinary shares after share split) and 933,742 share option units (equivalent to 270,527 ordinary shares after share split) with three-year pre-requisite service period, respectively.

No Additional Option Units are exercisable as of December 31, 2022. The following table sets forth the activities of Additional Option Units for the year ended December 31, 2022:

	Number of Additional Option Units	Weighted average exercise price US\$	Weighted average grant date fair value US\$	Weighted average remaining contractual years	Aggregate intrinsic value US\$
Outstanding as of January 1, 2022	933,742	0.60	0.41	1.34	831,030
Granted	460,756	1.20	—	—	—
Forfeited	(102,457)	0.81	—	—	—
Outstanding as of December 31, 2022	1,292,041	0.80	0.57	1.42	176,520
Expected to be vested as of December 31, 2022	1,292,041	0.80	0.57	1.42	176,520

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**20. Share-based Compensation (Continued)**

The Company granted 6,000,000 units (equivalent to 1,738,338 ordinary shares after share split) of Restricted Share Units to Grantees during the year ended December 31, 2019 and has not granted any Restricted Share Units since then. As of December 31, 2022, 4,500,000 Restricted Share Units (equivalent to 1,303,754 ordinary shares after share split) out of the 6,000,000 Restricted Share Units granted (equivalent to 1,738,338 ordinary shares after share split) are exercisable. No Restricted Share Units were forfeited during the year ended December 31, 2022.

Options granted to Grantees were measured at fair value as of the respective grant dates using the Binomial Option Pricing Model with the following assumptions:

	2022	2021	2020
Expected volatility	25.00 %	24.74%-25.00 %	24.51%-26.99 %
Risk-free interest rate (per annum)	2.50%-2.80 %	2.47%-2.53 %	1.01%-1.12 %
Exercise multiple	2.50-2.80	2.50-2.80	2.50-2.80
Expected dividend yield	0.00 %	0.00 %	0.00 %
Expected term (in years)	10	10	6
Fair value of underlying unit (3.45 unit = 1 ordinary share)	US\$1.86	US\$0.88-US\$1.49	US\$0.37-US\$0.53

The estimated fair value of the underlying unit at the grant date was estimated by management with the assistant of an independent valuation firm. The income approach involves applying discounted cash flow analysis based on the Company's projected cash flow using management's best estimate as of the valuation dates. Estimating future cash flow requires the Company to analyze projected revenue growth, gross margins, operating expense levels, effective tax rates, capital expenditures, working capital requirements, and discount rates. The Company's projected revenues were based on expected annual growth rates derived from a combination of historical experience and the general trend in this industry. The revenue and cost assumptions used are consistent with the Company's long-term business plan and market conditions in this industry. The Company also has to make complex and subjective judgments regarding its unique business risks, its limited operating history, and future prospects at the time of grant.

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Company's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US\$ for a term consistent with the expected term of the Company's options in effect at the option valuation date. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of empirical studies on the actual exercise behavior of employees. The expected dividend yield is zero as the Company has never declared or paid any cash dividends on its shares, and the Company does not intend to pay dividend before the Company becomes profitable. The expected term is calculated from the grant date to estimated IPO date or the contractual term of the option.

Original Option Units, Additional Option Units and Restricted Share Units all have a service condition and a performance condition on the completion of an IPO of the Company. The Merger Transaction was consummated on September 28, 2022 and therefore the performance condition on the completion of an IPO of the Company has been achieved. Upon the completion of the Merger Transaction as of September 28, 2022, the Company immediately recognized share-based compensation expenses of RMB33,194,871 for Original Option Units, Additional Option Units and Restricted Share Units vested cumulatively. All of share-based compensation expenses relating to Original Option Units, Additional Option Units and Restricted Share Units in the amount of RMB44,421,298 for the year ended December 31, 2022 were included in general and administrative expenses.



**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)**21. Income tax***Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to income tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

*Hong Kong*

Under the current Hong Kong Inland Revenue Ordinance, the Company's Hong Kong subsidiary is subject to Hong Kong profits tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. The first HK\$2 million of assessable profits earned by a company will be taxed at 8.25% whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the Company to benefit from the progressive rates. Additionally, upon payments of dividends to the shareholders, no Hong Kong withholding tax will be imposed.

No provision for Hong Kong profits tax has been made in the financial statements as the subsidiary in Hong Kong has no assessable profits for the years ended December 31, 2022, 2021 and 2020.

The Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced income) Bill 2022 ("the new FSIE regime") has been enacted in Hong Kong on December 14, 2022 and will have effect from January 1, 2023 onwards. This is to address the European Union's inclusion of Hong Kong in the "grey list" in concern of any risk of double non-taxation arising from the tax exemption of offshore passive income for companies in Hong Kong without substantial economic substance. From January 1, 2023, offshore passive income (including interest income, dividend income or gain on disposal of equity interest (where applicable)), that is received or deemed to be received in Hong Kong (i.e., identical to the "received" concept in Singapore), would need to meet additional requirements, including, amongst others, the economic substance requirements (i.e. similar to offshore jurisdictions like Cayman Islands, BVI, etc.) in order to continue to be entitled to the offshore income tax exemption in Hong Kong.

*Mainland PRC*

The Company's subsidiaries in Mainland PRC are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%, unless a preferential income tax rate is otherwise stipulated.

The components of loss before income taxes are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Mainland PRC	(506,323,501)	(371,992,927)	(132,554,844)
Hong Kong S.A.R and overseas entities	(238,424,750)	(10,936,239)	(10,505,323)
Total	<u>(744,748,251)</u>	<u>(382,929,166)</u>	<u>(143,060,167)</u>

For the years ended December 31, 2022, 2021 and 2020, there are no current and deferred income tax expenses recorded in the Company's consolidated financial statements.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**21. Income tax (Continued)**

*Mainland PRC (Continued)*

Reconciliation of the differences between PRC statutory income tax rate and the Company's effective income tax rate for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
PRC statutory tax rate	(25.0)%	(25.0)%	(25.0)%
Effect of tax rate differential for non-PRC entities	7.9 %	0.7 %	1.8 %
Effect of non-deductible expenses	0.1 %	0.3 %	0.8 %
Change in valuation allowance	17.0 %	24.0 %	22.4 %
Actual income tax rate	<u>—</u>	<u>—</u>	<u>—</u>

**Deferred income tax assets**

	December 31, 2022	December 31, 2021
Operating losses carryforwards	238,086,013	133,725,956
Contract liabilities	4,060,385	2,472,812
Impairment losses	1,969,902	250,470
Operating lease liabilities	250,179,307	—
Other current liabilities	27,925,076	12,644,968
Software	428,758	—
Total gross deferred tax assets	<u>522,649,441</u>	<u>149,094,206</u>
Less: valuation allowances	<u>(275,431,351)</u>	<u>(149,094,206)</u>
Deferred tax assets, net of valuation allowance	247,218,090	—
Right-of-use assets	(236,718,196)	—
Leasehold improvements	(10,499,894)	—
Deferred tax liability	(247,218,090)	—
Deferred tax assets	(247,218,090)	—
Deferred tax liabilities	247,218,090	—
Net deferred tax assets	<u>—</u>	<u>—</u>

As of December 31, 2022, the Company had net operating loss carry forwards of RMB949,778,051 attributable to the PRC subsidiaries. Tax losses of the subsidiaries in PRC of RMB17,429,438, RMB46,953,288, RMB80,318,984, RMB411,354,697 and RMB393,721,644 will expire, if unused, by year 2024, 2025, 2026 and 2027 respectively.

A valuation allowance is provided against deferred income tax assets when the Company determines that it is more-likely-than-not that the deferred income tax assets will not be utilized in the foreseeable future. In making such determination, the Company evaluates a variety of factors including the Company's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2022 and 2021, the valuation allowance of RMB275,431,351 and RMB149,094,206 were related to the deferred income tax assets of the PRC entities which were in loss position. Since these entities have incurred accumulated net operating losses for income tax purposes since their inception, the Company has provided full valuation allowance for the net deferred income tax assets as of December 31, 2022 and 2021.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**21. Income tax (Continued)****Deferred income tax assets (Continued)**

Changes in valuation allowance are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Balance at the beginning of the year	149,094,206	57,096,996
Increases in the year	126,337,145	91,997,210
Balance at the end of the year	<u>275,431,351</u>	<u>149,094,206</u>

According to the PRC Tax Administration and Collection Law, the statute of limitation is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitation is extended to five years under special circumstances where the underpayment of taxes is more than RMB100 thousand. In the case of transfer pricing issues, the statute of limitation is 10 years. There is no statute of limitation in the case of tax evasion. The income tax returns of the Company's PRC subsidiaries for the years from establishment (i.e., 2018) to 2022 are open to examination by the PRC tax authorities.

**22. Shareholders' Equity**

On May 28, 2018, the Company issued 10,000 ordinary shares to THRI as consideration to acquire the entire issued capital shares of THHK.

On June 12, 2018, the Company issued 90,000 ordinary shares to Pangaea Two Acquisition Holdings XXIIB, Ltd. for a total cash consideration of US\$90,000,000, which are to be settled in three equal installments in June 2018, 2019 and 2020, respectively. As of December 31, 2020, all the three installments in the amount of US\$30,000,000 (equivalent to RMB192,363,000) each, have been received. Issuance cost incurred in connection with the third installment in the amount of RMB1,719,802 was charged against additional paid-in capital.

On October 26, 2020, the Company issued 1,000 and 500 ordinary shares to L&L Tomorrow Holdings Limited (an entity controlled by Mr. Lu Yongchen) and Lord Winterfell Limited (an entity controlled by Chief Marketing Officer, Ms. He Bin), respectively. The cash consideration amounted to US\$1,500,000 (equivalent to RMB10,089,000) was fully paid up.

On February 26, 2021, the Company issued 15,013 ordinary shares to Pangaea Two Acquisition Holdings XXIIB, Ltd. at a cash consideration of US\$45,000,000 (equivalent to RMB291,393,000). On March 1, 2021, the cash consideration has been fully paid up.

On August 11, 2021, the Board of Directors approved issuance of 178 ordinary shares of the Company to L&L Tomorrow Holdings Limited at a price per share of US\$1,000 in lieu of cash bonus to Chief Executive Office, Mr. Lu Yongchen. On August 12, 2021, these shares were issued.

On June 7, 2022, the Board of Directors approved issuance of 164 pre-split ordinary shares (equivalent to 174,544 ordinary shares after share split) of the Company to L&L Tomorrow Holdings Limited in lieu of cash bonus of US\$164,000 (equivalent to RMB1,355,772) due to the Chief Executive Officer, Mr. Lu Yongchen. On June 24, 2022, these shares were issued. The total fair value of such shares was US\$1,487,237, resulting in share-based compensation expense of US\$1,323,237 (equivalent to RMB8,608,713) recognized for the year ended December 31, 2022 as general and administrative expenses.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**22. Shareholders' Equity (Continued)**

On September 27, 2022, the Company issued 7,745 pre-split ordinary shares (equivalent to 8,242,983 ordinary Shares after share split) to THC Hope IB Limited for nil consideration which were related to outstanding share options that have been granted as of June 30, 2022. THC Hope IB Limited is a trust established to hold securities on behalf of certain employees and members of management. These shares are considered as treasury shares because THC Hope IB Limited is a consolidated subsidiary of the Company.

On September 28, 2022, the Company issued 5,693,636 ordinary shares and 17,250,000 Public Warrants and 4,450,000 Sponsor Warrants to acquire US\$3,408,651 (equivalent to RMB24,237,896) of cash of the SPAC and assumed US\$8,700,000 (equivalent to RMB61,863,090) of warrant liabilities of the SPAC.

On September 28, 2022, the Company issued 5,050,000 ordinary shares and 1,200,000 PIPE Warrants in connection with the PIPE Transaction. The Company received gross proceeds of US\$44,500,100 (equivalent to RMB316,426,861) and recognized US\$500,000 (equivalent to RMB3,555,349) of warrant liabilities related to the PIPE Transaction.

US\$12,069,689 (equivalent to RMB85,728,299) offering cost related to the Merger Transaction and PIPE Transaction incurred and charged against additional paid-in upon the consummation of Merger Transactions, of which US\$580,000 (equivalent to RMB4,039,468) is liability-settled share-based payment (See Note 16) in exchange of services provided.

On September 28, 2022, the Company issued 5,000,000 ordinary shares to the ESA Investors and the Company received the subscription price of US\$50,000,000 (equivalent to RMB355,535,000) in the collateral account. The Company recognized ESA derivative liabilities of US\$12,400,000 (equivalent to RMB88,172,680).

On November 9, 2022, the Company issued 826,446 ordinary shares to Cantor as consideration (equivalent to RMB21,656,700) for its irrevocable commitment to purchase the ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**23. Loss Per Share**

Basic and diluted losses per ordinary share for the years ended December 31, 2022, 2021 and 2020 are calculated as follow.

Upon the completion of Merger Transaction (see Note 2), the basic and diluted weighted average number of ordinary shares outstanding used in computing net loss per ordinary share - basic and diluted was retrospectively adjusted to reflect the share split for the years ended December 31, 2022, 2021 and 2020, respectively.

	As of and for the year ended December 31,		
	2022	2021	2020
<b>Numerator:</b>			
Net loss attributable to shareholders of the Company	(742,645,232)	(381,721,019)	(141,999,507)
<b>Denominator:</b>			
Basic and diluted weighted average number of ordinary shares	128,096,505	121,582,945	106,721,987
<b>Basic and diluted loss per ordinary share (in RMB)</b>	(5.80)	(3.14)	(1.33)

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)

**23. Loss Per Share (Continued)**

For the year ended December 31, 2022, the calculation of basic loss per ordinary shares excludes 1,400,000 unvested Earn-in Shares owned by the Sponsor of SPAC that would only be vested upon the Company's future share price reaching certain price thresholds.

The following securities were excluded from the computation of diluted net loss per share because their effective would have been anti-dilutive or for which the contingent condition had not been met at the end of the period:

	For the Years Ended December 31,		
	2022	2021	2020
Warrants	22,900,000	—	—
Earn-out Shares	14,000,000	—	—
Original Option Units	8,217,559	7,850,915	5,886,303
Additional Option Units	374,334	270,527	—
RSU	1,738,338	1,738,338	1,738,338
Liability-settled share-based payment to non-employee	200,000	—	—
Convertible notes	6,752,041	6,752,041	—

**24. Fair Value Measurement**

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	As of December 31, 2022			Total Fair Value RMB
	Level 1	Level 2	Level 3	
	RMB	RMB	RMB	
<b>Assets</b>				
Short-term investment	—	372,375,701	—	372,375,701
<b>Liabilities</b>				
Convertible notes	—	—	354,080,264	354,080,264
ESA derivative liabilities	—	—	269,251,436	269,251,436
Warrant liabilities	—	—	19,083,004	19,083,004
Liability-settled share-based payment to non-employee	—	—	4,039,468	4,039,468
	—	—	646,454,172	646,454,172
<b>As of December 31, 2021</b>				
	Level 1	Level 2	Level 3	Total Fair Value RMB
	RMB	RMB	RMB	
<b>Liabilities</b>				
Convertible notes	—	—	318,466,215	318,466,215

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**  
Notes to Consolidated Financial Statements  
(Expressed in Renminbi Yuan)

**24. Fair Value Measurement (Continued)**

The table below reflects the reconciliation from the opening balances to the closing balances for recurring fair value measurement of the fair value hierarchy for the years ended December 31, 2022 and 2021:

	Convertible notes	Short-term investment	Warrant liabilities	ESA derivative liabilities	Liability-settled share-based payment to non-employee
Balance as of January 1, 2021	—	—	—	—	—
Additions	312,092,172	—	—	—	—
Changes in fair value of convertible notes, excluding impact of instrument-specific credit risk	5,577,001	—	—	—	—
Changes in fair value of convertible notes due to instrument-specific credit risk	548,029	—	—	—	—
Foreign currency translation adjustment	249,013	—	—	—	—
Balance as of December 31, 2021	318,466,215	—	—	—	—
Balance as of January 1, 2022	318,466,215	—	—	—	—
Additions	—	370,242,173	65,418,439	88,172,680	11,519,334
Changes in fair value, excluding impact of instrument-specific credit risk	4,493,605	2,133,528	(45,903,468)	186,598,308	(7,390,032)
Changes in fair value due to instrument specific credit risk	1,520,393	—	—	—	—
Foreign currency translation adjustment	29,600,051	—	(431,967)	(5,519,552)	(89,834)
Balance as of December 31, 2022	<u>354,080,264</u>	<u>372,375,701</u>	<u>19,083,004</u>	<u>269,251,436</u>	<u>4,039,468</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**24. Fair Value Measurement (Continued)**

The convertible notes were measured at fair value using the Binomial Option Pricing Model. The ESA derivative liabilities and Liability-settled share-based payment to non-employee were measured at fair value using the Black-Scholes Option Pricing Model. The warrants liabilities were measured at fair value using the Monte Carlo Simulation Model.

As of December 31, 2022, the assumptions were as follow:

	Convertible notes	ESA derivative liabilities	Warrants liabilities	Liability-settled share-based payment to non-employee
Expected volatility	28.00 %	18.00%-26.00 %	26.00 %	26.00 %
Risk-free interest rate (per annum)	4.10 %	4.05%-4.62 %	4.07 %	4.39 %
Expected dividend yield	0.00 %	0.00 %	0.00 %	0.00 %
Fair value of the underlying ordinary share	US\$2.78	US\$2.78	US\$2.78	US\$2.78
Bond yield	13.30 %	—	—	—
Coupon rate	9.00 %	—	—	—

The convertible notes were measured at fair value as of December 31, 2021 using the Binomial Option Pricing Model with the following assumptions:

	2021
Expected volatility	25.00 %
Risk-free interest rate (per annum)	1.10 %
Expected dividend yield	0.00 %
Bond yield	11.00 %
Coupon rate	9.00 %
Fair value of the underlying ordinary share (before share split)	US\$6,079.83

The fair value of the convertible notes, ESA derivative liabilities, warrants liabilities and Liability-settled share-based payment to non-employee as of December 31, 2022 and fair value of the convertible notes as of December 31, 2021 were estimated by management with the assistance of an independent valuation firm.

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Notes. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US\$ for a term consistent with the expected term of the Notes in effect at the Note's valuation date. The expected dividend yield is zero as the Company has never declared or paid any cash dividends on its shares and the Company does not intend to pay dividend before the Company becomes profitable. The bond yield was based on the market yield of comparable bonds with similar credit rating.

The inputs used in the analysis for both December 31, 2022 and 2021 were classified as Level 3 inputs within the fair value hierarchy due to the lack of observable market data and activity.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**25. Related Parties**

The related parties are summarized as follow:

Cartesian Capital Group, LLC	Ultimate controlling party
Pangaea Two, LP	Intermediate holding company
Pangaea Two Acquisition Holdings XXIIA, Ltd.	Parent company
Tim Hortons Restaurants International GmbH	Shareholder of the Company
TDL Group Corp	A subsidiary of investor's ultimate holding company
Pangaea Data Tech (Shanghai) Co., Ltd	A subsidiary of investor's ultimate holding company

The material related party transactions are summarized as follows:

	For the Years Ended December 31,		
	2022	2021	2020
Continuing franchise fee to Tim Hortons Restaurants International GmbH	(i) 31,882,569	15,576,324	5,147,252
Upfront franchise fee to Tim Hortons Restaurants International GmbH	(ii) 23,553,799	24,265,373	4,097,227
Purchase of coffee beans from TDL Group Corp	(iii) 49,135,749	28,168,228	8,864,342
Provision of consumer research service to THRI	—	428,148	—
Consulting services provided by THRI	—	—	160,532
Services provided by Pangaea Data Tech (Shanghai) Co., Ltd	(iv) 7,206,906	—	—
Reimbursements to Cartesian Capital Group, LLC	(v) 1,845,960	—	—

- (i) Pursuant to the master development agreement between the Company and THRI, the Company pays continuing franchise fee based on certain percentage of revenue generated from Company owned and operated stores and such continuing franchise fee was recorded in Franchise and royalty expenses.
- (ii) Pursuant to the master development agreement between the Company and THRI, the Company pays upfront franchise fee for each newly opened store to THRI during the term of the master development contract. The amortization expense of upfront franchise fee in the amount of RMB334,034, nil and nil for the years ended December 31, 2022, 2021 and 2020, respectively, are included in Franchise and royalty expense financial caption.
- (iii) The Company purchased coffee beans from TDL Group Corp. The Company purchased coffee beans for its daily operation in the amount of RMB49,135,749, RMB28,168,228 and RMB8,864,342 for the years ended December 31, 2022, 2021 and 2020, respectively, amongst which RMB36,862,860, RMB19,521,561 and RMB8,864,342 were sold and recognized in the costs of food and packaging.
- (iv) Pangaea Data Tech (Shanghai) Co., Ltd. ("DataCo") provides various data maintenance and management services, technical support and consulting services in support of the operation of the Company. RMB550,000, nil and nil for the years ended December 31, 2022, 2021 and 2020, respectively of purchased services are recognized in other operating expenses, respectively while RMB6,656,906, nil and nil are capitalized in property and equipment for the years ended December 31, 2022, 2021 and 2020, respectively.
- (v) Cartesian Capital Group, LLC paid travel and entertainment expenses relating to Company's directors on behalf of the Company.

As of December 31, 2022 and 2021, the balances of transactions with related parties are set forth below:



**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**25. Related Parties (Continued)**

Amount due to related parties:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
TDL Group Corp	9,690,952	7,210,593
Tim Hortons Restaurants International GmbH	10,390,081	6,863,322
Pangaea Data Tech (Shanghai) Co., Ltd	1,470,000	—
Cartesian Capital Group, LLC	933,930	—
Amounts due to related parties	<u>22,484,963</u>	<u>14,073,915</u>

**26. Subsequent Events**

On February 10, 2023, the first tranche of ESA proceeds (see Note 15) of USD5,413,344 (equivalent to RMB 36,747,941) has been released from the collateral account and received by the Company while USD11,919,983 (equivalent to RMB80,917,761) was released from the collateral account and returned to Shaolin. On February 15, 2023, the Company has further received USD100,000 (equivalent to RMB 681,773) of interest income from the collateral account. On April 11, 2023, the second tranche of ESA proceeds (see Note 15) of USD7,133,280 (equivalent to RMB49,135,463) has been released from the collateral account and received by the Company while USD10,533,379 (equivalent to RMB72,556,021) was released from the collateral account and returned to Shaolin.

On March 30, 2023 (“acquisition date”), the Company entered into a share purchase agreement (“Popeyes SPA”) with PLKC International Limited (“Popeyes China”), Pangaea Three Acquisition Holdings IV Limited (“Holdings IV”) and PLK APAC Pte. Ltd. (“PLK”) to acquire 100% outstanding shares of Popeyes China from Holdings IV (90%) and PLK (10%), which are related parties of the Company as Holdings IV and PLK are subsidiaries of Cartesian Capital Group, LLC and Restaurant Brands International Inc. respectively. The Company issued a total of 11,466,574 ordinary shares (among which 10,319,917 ordinary shares to Holdings IV and 1,146,657 ordinary shares to PLK) in exchange for all of the outstanding shares of Popeyes China.

On the acquisition date, Popeyes China, through its wholly owned subsidiary PLKC HK International Limited (“Popeyes China Franchisee”), has the exclusive right to develop, open and operate Popeyes Restaurants in Mainland China and Macau for an initial period of 20 years (“The Popeyes Master Franchise Right”). On acquisition date, Popeyes China and Popeyes China Franchisee did not have any business operations and did not have assets and liabilities other than the Popeyes Master Franchise Right and USD30,000,000 in cash. Pursuant to the Popeyes Master Franchise Right agreement, Popeyes China franchisee agrees to develop, open, build, and operate, or license Franchisees to develop, open, build, and operate, on a cumulative basis, of certain number of Popeyes Restaurants in the agreed Territory according to the Development schedule within the agreement. Pursuant to the Popeyes Master Franchise Right agreement, the Company is required to pay an upfront franchise fee for each Company owned and operated store and franchise store, and a continuing franchise fee for each Company owned and operated store and franchise store, calculated as certain percentage of the store’s monthly gross sales, depending on when the store is opened.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**26. Subsequent Events (Continued)**

In accordance with the Popeyes SPA for the acquisition of shares in Popeyes China, the Company will need to issue additional number of ordinary shares to Holdings IV and PLK based on the ratio of 90:10 as annual deferred contingent consideration, which is calculated as: (a) 3% of annual revenue of Popeyes China; divided by (b) 85% of the volume-weighted average price (VWAP) of the Company's shares during the forty (40) trading days ended the last date of applicable fiscal year for an undefined period. In addition, the Company may at any time after the acquisition date, and at its sole option, to pay a lumpsum deferred contingent consideration, plus any unpaid annual deferred contingent consideration. Such lumpsum deferred contingent consideration will be settled by issuing additional number of ordinary shares to Holdings IV and PLK based on the ratio of 90:10, which is calculated as: (a) USD35,000,000, divided by (b) 85% of the VWAP of the Company's shares during the forty (40) trading days ended as of the date of notifying the exercise this option. If the Company pays such lumpsum deferred contingent consideration, it will not need to pay any further annual deferred contingent consideration.

According to the Popeyes SPA, the Company will reserve 603,503 ordinary shares to be issuable pursuant to a separate employee stock option plan to be provided to the future employees of Popeyes China.

In March 2023, the Company's parent company, Pangaea Two Acquisition Holdings XXIIA Limited ("Pangaea XXIIA") surrendered 300,000 Company's ordinary shares to the Company for no additional consideration for the purpose of share-based awards to be granted to certain employees (the "Employee Incentive Shares"). In accordance with Employee Incentive Shares arrangement, the Company granted 100 ordinary shares per person to 1,855 qualified employees (185,000 shares in total) in April 2023 and these share awards are to be settled in cash (subject to deduction of applicable withholding taxes) equivalent to the market value of such ordinary shares on the date when each of the employee grantees requests the Company to settle.

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**27. Parent Only Financial Information**

The following condensed parent company financial information of TH International Limited has been prepared using the same accounting policies as set out in the accompanying consolidated financial information. As of December 31, 2022 and 2021, there were no material contingencies, significant provisions of long-term obligations or guarantees of TH International Limited, except for those, which have been separately disclosed in the consolidated financial information.

**Condensed Balance Sheets**

	As of December, 31	
	2022	2021
	RMB	RMB
<b>ASSETS</b>		
Current assets		
Cash	29,472,174	313,302,959
Short-term investment	372,375,701	—
Amounts due from subsidiaries	298,205,305	279,221,856
Prepaid expenses and other current assets	3,656,415	18,475,035
Total current assets	<u>703,709,595</u>	<u>610,999,850</u>
Non-current assets		
Intangible assets, net	53,685,458	52,333,871
Total non-current assets	<u>53,685,458</u>	<u>52,333,871</u>
Total assets	<u>757,395,053</u>	<u>663,333,721</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Derivative financial liabilities	269,251,436	—
Other current liabilities	6,129,649	9,329,205
Total current liabilities	<u>275,381,085</u>	<u>9,329,205</u>
Non-current liabilities		
Derivative financial liabilities - non-current	19,083,004	—
Convertible notes, at fair value	354,080,264	318,466,215
Total non-current liabilities	<u>373,163,268</u>	<u>318,466,215</u>
Total liabilities	<u>648,544,353</u>	<u>327,795,420</u>
Shareholders' equity		
Ordinary shares	8,616	7,497
Additional paid-in capital	1,472,014,651	937,315,273
Accumulated losses	(1,380,173,392)	(637,528,160)
Accumulated other comprehensive income	17,000,825	35,743,691
Treasury shares	—	—
Total shareholders' equity	<u>108,850,700</u>	<u>335,538,301</u>
Total liabilities and shareholders' equity	<u>757,395,053</u>	<u>663,333,721</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**27. Parent Only Financial Information (Continued)****Condensed Statements of Operations**

	For the Years Ended December 31,		
	2022 RMB	2021 RMB	2020 RMB
General and administrative expenses	88,435,187	1,976,807	6,862,862
Franchise and royalty expenses	3,378,650	3,223,700	3,447,050
Other income	337,865	—	—
Total costs and expenses, net	<u>91,475,972</u>	<u>5,200,507</u>	<u>10,309,912</u>
Operating loss	(91,475,972)	(5,200,507)	(10,309,912)
Equity in loss of subsidiaries	(506,340,297)	(370,940,089)	(131,640,926)
Interest income	359,607	—	804
Foreign currency transaction loss	(125)	(3,422)	(49,473)
Changes in fair value of convertible notes	(4,493,605)	(5,577,001)	—
Changes in fair value of warrant liabilities	45,903,468	—	—
Changes in fair value of ESA derivative liabilities	<u>(186,598,308)</u>	<u>—</u>	<u>—</u>
Loss before income taxes	(742,645,232)	(381,721,019)	(141,999,507)
Income tax expenses	—	—	—
Net loss	<u>(742,645,232)</u>	<u>(381,721,019)</u>	<u>(141,999,507)</u>

**Condensed Statements of Comprehensive Loss**

	For the Years Ended December 31,		
	2022 RMB	2021 RMB	2020 RMB
Net loss	(742,645,232)	(381,721,019)	(141,999,507)
Other comprehensive income			
Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes	(1,520,393)	(548,029)	—
Unrealized gain on short-term investment, net of nil income taxes	2,133,528	—	—
Foreign currency translation adjustment, net of nil income taxes	<u>(19,356,001)</u>	<u>(2,889,641)</u>	<u>2,788,426</u>
Total comprehensive loss	<u>(761,388,098)</u>	<u>(385,158,689)</u>	<u>(139,211,081)</u>

**TH INTERNATIONAL LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Expressed in Renminbi Yuan)

**27. Parent Only Financial Information (Continued)****Condensed Statements of Cash Flows**

	For the Years Ended December 31,		
	2022	2021	2020
	RMB	RMB	RMB
Net cash used in operating activities	(7,345,572)	(1,122,560)	(8,690,319)
Net cash used in investing activities	(895,671,288)	(294,289,816)	(322,209,625)
Net cash provided by financing activities	621,610,726	597,662,648	221,124,998
Effect of foreign currency exchange rate changes on cash	(2,424,651)	2,788,102	(10,113,157)
Net (decrease) / increase in cash	(283,830,785)	305,038,374	(119,888,103)
Cash at beginning of year	313,302,959	8,264,585	128,152,688
Cash at end of year	29,472,174	313,302,959	8,264,585
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Accrued offering costs paid by subsidiaries of TH International Limited	4,039,468	3,623,684	—

## DESCRIPTION OF SECURITIES

*A summary of the material provisions governing our securities registered pursuant to Section 12(b) of the Exchange Act of 1934, as amended (the "Exchange Act") is provided below. This summary is not complete and should be read together with our Second Amended and Restated Memorandum and Articles of Association (the "THIL Articles"), a copy of which is filed with the U.S. Securities Exchange and Commission (the "SEC"). References herein to "we," "us," "our," "THIL" and the "company" refer to TH International Limited.*

### Share Capital

Our authorized share capital is US\$5,000 divided into 500,000,000 ordinary shares with a nominal or par value of \$0.00000939586994067732 each and 32,148,702.73519 shares with a nominal or par value of \$0.00000939586994067732 (each of such class or classes (however designated) as our board of directors (the "Board") may determine in accordance with the THIL Articles.

All of our outstanding shares are validly issued, fully paid and non-assessable. The Board may determine the issue prices and terms for our shares or other securities and may further determine any other provision relating to such issue of shares or securities. We may also issue and redeem redeemable securities on such terms and in such manner as the Board shall determine.

### Ordinary Shares

The following is a description of the material terms of our share capital and the THIL Articles. The following descriptions are qualified by reference to the THIL Articles.

#### *Voting Rights*

Each registered holder of our ordinary shares is entitled to one vote for each ordinary share of which he, she or it is the registered holder, subject to any rights and restrictions for the time being attached to any share. Unless specified in the THIL Articles, or as required by applicable provisions of the Cayman Companies Act or applicable stock exchange rules, an ordinary resolution, being, the affirmative vote of shareholders holding a majority of the shares which, being so entitled, are voted thereon in person or by proxy at a quorate general meeting of the Company or a unanimous written resolution of all of our shareholders entitled to vote at a general meeting of the Company, is required to approve any such matter voted on by our shareholders. Approval of certain actions, such as amending the THIL Articles, reducing our share capital and changing our name, will require a special resolution under Cayman Islands law and pursuant to the THIL Articles, being the affirmative vote of shareholders holding a majority of not less than two-thirds of the shares which, being so entitled, are voted thereon in person or by proxy at a quorate general meeting of the Company or a unanimous written resolution of all of our shareholders entitled to vote at a general meeting of the Company.

#### *Dividend Rights*

We have not paid any cash dividends on our ordinary shares to date. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition. Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of the Board.

#### *Liquidation Rights*

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of our ordinary shares will be entitled to participate in any surplus assets in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up or the date of the return of capital, as the case may be, on the ordinary shares held by them respectively.

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## *Registration Rights*

Certain of our shareholders are entitled to certain registration rights, pursuant to which we have agreed to provide customary demand registration rights and “piggyback” registration rights with respect to such registrable securities and, subject to certain circumstances, to file a resale shelf registration statement to register the resale under the Securities Act of such registrable securities.

## *Shareholder Meetings*

One or more shareholders holding at least a majority of the paid up voting share capital of our company present in person or by proxy or if a corporation or other non-natural person by its duly authorized representative or proxy and entitled to vote at that meeting shall form a quorum. In accordance with the corporate governance requirements of Nasdaq, we are not required to hold an annual general meeting until one year after our first fiscal year end following our listing on Nasdaq. There is no requirement under the Cayman Companies Act for us to hold annual or extraordinary general meetings.

## *Transfer of Shares*

Under the THIL Articles, a member is permitted to transfer all or any of their shares in any manner which is permitted by Cayman Companies Act, subject to certain restrictions in respect of lock-up provisions.

## **Warrants**

### *Public Warrants*

Each whole warrant entitles the registered holder to purchase one ordinary share at a price of \$11.50 per share, subject to adjustment as discussed below, at any time commencing on the date that is 30 days after the closing of the Business Combination, except as discussed in the immediately succeeding paragraph. Pursuant to the warrant agreement, dated as of September 28, 2022 (the “Warrant Agreement”), by and among Silver Crest Acquisition Corporation, a Cayman Islands exempted company (“Silver Crest”), the Company and Continental Stock Transfer & Trust Company (“Continental”), a New York limited purpose trust company, as warrant agent. The warrants will expire on September 28, 2027, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any ordinary shares pursuant to the exercise of a warrant or settle such warrant exercise unless the Resale Registration Statement is then effective and a prospectus relating thereto is current, subject to us satisfying our obligations described below with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable and we will not be obligated to issue ordinary shares upon exercise of a warrant unless the ordinary shares issuable upon such warrant exercise have been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant. The Resale Registration Statement, which registers, among other things, up to 22,900,000 of our ordinary shares issuable upon the exercise of warrants, was filed with the SEC on October 13, 2022 and declared effective by the SEC on December 22, 2022. In addition, if the ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of public warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

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### *Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$18.00*

Once the warrants become exercisable, we may redeem the outstanding warrants (except as described herein with respect to the warrants held by the Initial Holders and their permitted transferees):

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last reported sales price of our ordinary shares equals or exceeds \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "— Anti-dilution Adjustments") for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders.

We will not redeem the warrants as described above unless a registration statement under the Securities Act covering the issuance of ordinary shares issuable upon exercise of the warrants is then effective and a current prospectus relating to those ordinary shares is available throughout the 30-day redemption period. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criteria discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of the ordinary shares may fall below the \$18.00 redemption trigger price (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "— Anti-dilution Adjustments") as well as the \$11.50 (for whole shares) warrant exercise price after the redemption notice is issued.

### *Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$10.00*

Once the warrants become exercisable, we may redeem the outstanding warrants:

- in whole and not in part;
  - at a price of \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption, provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the fair market value of the ordinary shares, except as otherwise described below;
  - if, and only if, the last reported sales price of our ordinary shares equals or exceeds \$10.00 per public share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "— Anti-dilution Adjustments") for any 20 trading days within the 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders; and
  - if the last reported sales price of our ordinary shares for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders is less than \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant
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as described under the heading “— Anti-dilution Adjustments”), the private placement warrants must also be concurrently called for redemption on the same terms as the outstanding public warrants, as described above.

Beginning on the date the notice of redemption is given until the warrants are redeemed or exercised, holders may elect to exercise their warrants on a cashless basis. The numbers in the table below represent the number of ordinary shares that a warrant holder will receive upon such cashless exercise in connection with a redemption by us pursuant to this redemption feature, based on the “fair value” of the ordinary shares on the corresponding redemption date (assuming holders elect to exercise their warrants and such warrants are not redeemed for \$0.10 per warrant), determined for these purposes based on the volume weighted average price of the ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the warrant holders, and the number of months that the corresponding redemption date precedes the expiration date of the warrants, each as set forth in the table below. We will provide our warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a warrant or the exercise price of a warrant is adjusted as set forth under the heading “— Anti-dilution Adjustments” below. If the number of ordinary shares issuable upon exercise of a warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the number of shares deliverable upon exercise of a warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a warrant as so adjusted. The number of shares in the table below shall be adjusted in the same manner and at the same time as the number of shares issuable upon exercise of a warrant. If the exercise price of a warrant is adjusted in the case of an adjustment pursuant to the second paragraph under the heading “— Anti-dilution Adjustments” below, the adjusted share prices in the column headings will equal the unadjusted share price less the decrease in the exercise price of a warrant pursuant to such exercise price adjustment. In no event will the number of shares issued in connection with such a warrant exercise exceed 0.361 ordinary shares per warrant (subject to adjustment).

Redemption Date (period to expiration of Warrants)	Fair Market Value of Ordinary Shares								
	≤\$10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	≥18.00
60 months	0.261	0.281	0.297	0.311	0.324	0.337	0.348	0.358	0.361
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.361
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.361
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.361
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.361
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.361
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.361
39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.361
36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.361
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.361
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.361
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.361
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.361
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.361
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.361
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.361
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.361
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.361
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.361
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of ordinary shares to be issued for each warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the volume weighted average price of the ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.277 ordinary shares for each whole warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the volume weighted average price of the ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.298 ordinary share for each whole warrant. Finally, as reflected in the table above, if the warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature.

This redemption feature is structured to allow for all of the outstanding warrants to be redeemed when the ordinary shares are trading at or above \$10.00 per public share, which may be at a time when the trading price of the ordinary shares is below the exercise price of the warrants. We have established this redemption feature to provide us with the flexibility to redeem the warrants without the warrants having to reach the \$18.00 per share threshold set forth above under “— Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$18.00.” Holders choosing to exercise their warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares for their warrants based on an option pricing model with a fixed volatility input as of the date of this Prospectus/Offer to Exchange. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding warrants, and therefore have certainty as to our capital structure as the warrants would no longer be outstanding and would have been exercised or redeemed. We will be required to pay the applicable redemption price to warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the warrants if we determine it is in our best interest to do so. As such, we would redeem the warrants in this manner when we believe it is in our best interest to update our capital structure to remove the warrants and pay the redemption price to the warrant holders.

If we choose to redeem the warrants when ordinary shares are trading at a price below the exercise price of the warrants, this could result in the warrant holders receiving fewer ordinary shares than they would have received if they had chosen to wait to exercise their warrants for ordinary shares if and when such ordinary shares were trading at a price higher than the exercise price of \$11.50 per share.

No fractional ordinary shares will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of ordinary shares to be issued to the holder.

#### *Redemption Procedures*

A holder of a warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such

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exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 9.8% (or such other amount as a holder may specify) of the ordinary shares issued and outstanding immediately after giving effect to such exercise.

#### *Anti-dilution Adjustments*

If the number of outstanding ordinary shares is increased by a capitalization or share dividend paid in ordinary shares to all or substantially all holders of ordinary shares, or by a split-up of ordinary shares or other similar event, then, on the effective date of such capitalization or share dividend, split-up or similar event, the number of ordinary shares issuable upon the exercise of each warrant will be increased in proportion to such increase in the outstanding ordinary shares. A rights offering made to all or substantially all holders of ordinary shares entitling holders to purchase ordinary shares at a price less than the "historical fair market value" (as defined below) will be deemed a capitalization of a number of ordinary shares equal to the product of (i) the number of ordinary shares actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for ordinary shares) and (ii) one, minus the quotient of (x) the price per ordinary share paid in such rights offering and (y) the historical fair market value. For these purposes, (i) if the rights offering is for securities convertible into or exercisable for ordinary shares, in determining the price payable for the ordinary shares, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) "historical fair market value" means the volume weighted average price of the ordinary shares as reported during the 10 trading day period ending on the trading day prior to the first date on which the ordinary shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights. No ordinary shares shall be issued at less than their par value.

In addition, if we, at any time while the warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all of the holders of our ordinary shares on account of such ordinary shares (or other securities into which the warrants are convertible), other than (a) as described above, or (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on our ordinary shares during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 per share (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of ordinary shares issuable upon the exercise of each warrant) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each ordinary share in respect of such event.

If the number of outstanding ordinary shares is decreased by a consolidation, combination or reclassification of ordinary shares or other similar event, then, on the effective date of such consolidation, combination, reclassification or similar event, the number of ordinary shares issuable upon the exercise of each warrant will be decreased in proportion to such decrease in outstanding ordinary shares.

Whenever the number of ordinary shares purchasable upon the exercise of the warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of ordinary shares purchasable upon the exercise of the warrants immediately prior to such adjustment and (y) the denominator of which will be the number of ordinary shares so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding ordinary shares (other than those described above or that solely affects the par value of such ordinary shares), or in the case of any merger or consolidation of us with or into another corporation or entity (other than a consolidation or merger in which we are the continuing corporation or company and that does not result in any reclassification or reorganization of our outstanding ordinary shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of ordinary shares immediately theretofore

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purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of ordinary shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders under circumstances in which, upon the completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of our issued and outstanding ordinary shares, the holder of a warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a shareholder if such warrant holder had exercised the warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the ordinary shares held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustment (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the Warrant Agreement. If less than 70% of the consideration receivable by the holders of ordinary shares in such a transaction is payable in the form of ordinary shares in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within thirty days following public disclosure of the consummation of such applicable event, the warrant exercise price will be reduced as specified in the Warrant Agreement based on the Black-Scholes Warrant Value (as defined in the Warrant Agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the warrants otherwise do not receive the full potential value of the warrants.

The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correcting any mistake, including to conform the provisions of the Warrant Agreement to the description of the terms of the warrants and the Warrant Agreement set forth in this Prospectus/Offer to Exchange, or defective provision, (ii) amending the definition of “Ordinary Cash Dividend” as contemplated by and in accordance with the Warrant Agreement or (iii) adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the warrants. All other modifications or amendments shall require the vote or written consent of the registered holders of 50% of the then-outstanding public warrants. Notwithstanding the foregoing, the Company may lower the warrant exercise price or extend the duration of the exercise period without the consent of warrant holders.

You should review a copy of the Warrant Agreement, which is filed as an exhibit to the registration statement of which this Prospectus/Offer to Exchange is a part, for a complete description of the terms and conditions applicable to the warrants.

The warrant holders do not have the rights or privileges of holders of ordinary shares and any voting rights until they exercise their warrants and receive ordinary shares. After the issuance of ordinary shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by holders of ordinary shares.

We have agreed that, subject to applicable law, any action, proceeding or claim against us arising out of or relating in any way to the Warrant Agreement will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or

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claim. This provision applies to claims under the Securities Act but does not apply to suits brought to enforce any liability or duty created by the Exchange Act or any claim for which the federal district courts of the United States of America are the sole and exclusive forum.

### *Private Placement Warrants*

Except as described below, the private placement warrants have terms and provisions that are identical to the public warrants.

The private placement warrants will not be redeemable by us (except as described under “— Public Warrants — Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$10.00”) so long as they are held by the Initial Holders or their permitted transferees (except as otherwise set forth herein). In addition, the ordinary shares underlying the warrants held by the permitted transferees of the Sponsor are subject to lock-up restrictions pursuant to the Sponsor Lock-Up Agreement with between THIL and the Sponsor, dated August 13, 2021.

The Initial Holders, or their permitted transferees, have the option to exercise the warrants on a cashless basis. If the private placement warrants are held by holders other than the Initial Holders or their permitted transferees, the private placement warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the public warrants. Any amendment to the terms of the private placement warrants or any provision of the Warrant Agreement with respect to the private placement warrants will require a vote of holders of at least 50% of the number of the then-outstanding private placement warrants.

Except as described above under “— Public Warrants — Redemption of Warrants When the Price Per Ordinary Share Equals or Exceeds \$10.00,” if holders of the private placement warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its private placement warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the private placement warrants, multiplied by the excess of the “sponsor exercise fair market value” (as defined below) over the exercise price of the private placement warrants by (y) the sponsor fair market value. For these purposes, the “sponsor exercise fair market value” means the average last reported closing price of our ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

### **Certain Differences in Corporate Law**

Cayman Islands companies are governed by the Cayman Companies Act. The Cayman Companies Act is modeled on English law but does not follow recent English law statutory enactments, and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the material differences between the provisions of the Cayman Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* In certain circumstances, the Cayman Companies Act allows for mergers or consolidations between two Cayman Islands companies, or between a Cayman Islands company and a company incorporated in another jurisdiction (*provided that it is facilitated by the laws of that other jurisdiction*).

Where the merger or consolidation is between two Cayman Islands companies, the directors of each company must approve a written plan of merger or consolidation containing certain prescribed information. That plan of merger or consolidation must then be authorized by (a) a special resolution (usually a majority of not less than two-thirds of the votes which are cast in person or by proxy by those shareholders who, being entitled to do so, attend and vote at a quorate general meeting of the relevant company or a unanimous written resolution of all of the shareholders entitled to vote at a general meeting of the relevant company) of the shareholders of each company; and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company)

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and its subsidiary company where the parent and subsidiary company are both incorporated under the Cayman Companies Act. The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Cayman Islands Registrar of Companies is satisfied that the requirements of the Cayman Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies will register the plan of merger or consolidation.

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Directors of a Cayman Islands company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidation is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

Where the above procedures are adopted, the Cayman Companies Act provides for a right of dissenting shareholders to be paid a payment of the fair value of their shares upon their dissenting to the merger or consolidation if they follow a prescribed procedure. In essence, that procedure is as follows: (a) the shareholder must give his written objection to the merger or consolidation to the constituent company before the vote on the merger or consolidation, including a statement that the shareholder proposes to demand payment for his shares if the merger or consolidation is authorized by the vote; (b) within 20 days following the date on which the merger or consolidation is approved by the shareholders, the constituent company must give written notice to each shareholder who made a written objection; (c) a shareholder must within 20 days following receipt of such notice from the constituent company, give the constituent company a written notice of his intention to dissent including, among other details, a demand for payment of the fair value of his shares; (d) within seven days following the date of the expiration of the period set out in paragraph (c) above or seven days following the date on which the plan of merger or consolidation is filed, whichever is later, the constituent company, the surviving company or the consolidated company must make a written offer to each dissenting shareholder to purchase his shares at a price that the company determines is the fair value and if the company and the shareholder agree the price within 30 days following the date on which the offer was made, the company must pay the shareholder such amount; and (e) if the company and the shareholder fail to agree on a price within such 30 day period, within 20 days following the date on which such 30 day period expires, the company must (and any dissenting shareholder may) file a petition with the Cayman Islands Grand Court to determine the fair value and such petition by the company must be accompanied by a list of the names and addresses of the dissenting shareholders with whom agreements as to the fair value of their shares have not been reached by the company. At the hearing of that petition, the court has the power to determine the fair value of the shares together with a fair rate of interest, if any, to be paid by the company upon the amount determined to be the fair value. Any dissenting shareholder whose name appears on the list filed by the company may participate fully in all proceedings until the determination of fair value is reached. These rights of a dissenting shareholder are not available in certain circumstances, for example, to dissenters holding shares

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of any class in respect of which an open market exists on a recognized stock exchange or recognized interdealer quotation system at the relevant date and where the consideration for such shares are shares of any company listed on a national securities exchange or shares of the surviving or consolidated company.

Moreover, Cayman Islands law has separate statutory provisions that facilitate the reconstruction or amalgamation of companies in certain circumstances, by way of schemes of arrangement, which will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a “scheme of arrangement” which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedures for which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a general meeting, or meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act or that would amount to a “fraud on the minority.”

If a scheme of arrangement or takeover offer (as described below) is approved, any dissenting shareholder would have no rights comparable to appraisal rights (providing rights to receive payment in cash for the judicially determined value of the shares), which would otherwise ordinarily be available to dissenting shareholders of United States corporations.

*Squeeze-out Provisions.* When a takeover offer is made and accepted by holders of 90% of the shares to whom the offer relates within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through means other than these statutory provisions, such as a share capital exchange, asset acquisition or control, or through contractual arrangements of an operating business.

*Shareholders’ Suits.* Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officer or directors usually may not be brought by a shareholder.

However, based both on Cayman Islands authorities and on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

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- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

*Enforcement of Civil Liabilities.* The Cayman Islands has a different body of securities laws as compared to the United States and provides less protection to investors. Additionally, Cayman Islands companies may not have standing to sue before the federal courts of the United States.

We have been advised by Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

*Special Considerations for Exempted Companies.* We are an exempted company with limited liability under the Cayman Companies Act. The Cayman Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company (other than an exempted company holding a license to carry on business in the Cayman Islands) does not have to file an annual return of its shareholders with the Registrar of Companies;
  - an exempted company’s register of members is not open to inspection;
  - an exempted company does not have to hold an annual general meeting;
  - an exempted company may issue shares with no par value;
  - an exempted company may obtain an undertaking against the imposition of any future taxation;
  - an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
  - an exempted company may register as a limited duration company; and
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- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

### **Listing of Securities**

Our ordinary shares and warrants exercisable for our ordinary shares are listed on Nasdaq under the symbols “THCH” and “THCH.W,” respectively.

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CERTAIN PORTIONS OF THE EXHIBIT THAT ARE NOT MATERIAL AND IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL HAVE BEEN REDACTED PURSUANT TO ITEM 601(b)(10)(iv) OF REGULATION S-K. [\*\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.

Exhibit A

Amended and Restated Master Development Agreement Exhibit A

**EXECUTION VERSION**

**AMENDED AND RESTATED MASTER DEVELOPMENT AGREEMENT**

**THIS AGREEMENT** dated March 30, 2023 (the “**Original Commencement Date**”) has been amended and restated on March 30, 2023 (the “**A&R Effective Date**”) by and among:

- (1) PLK APAC PTE. LTD., a company organized and existing under the laws of Singapore and having a principal place of business at 8 Cross St, Manulife Tower, #28-01/07, Singapore 048424 (“**PLK**”);
- (2) PLKC HK INTERNATIONAL LIMITED, a limited liability company organized under the laws of Hong Kong (the “**Master Franchisee**”);
- (3) PLKC INTERNATIONAL LIMITED, a company organized under the laws of Cayman Islands (the “**JVC**”); and
- (4) TH INTERNATIONAL LIMITED, a limited company organized under the laws of Cayman Islands having a principal place of business at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands (the “**Shareholder**”).

For the purposes of this Agreement, the above parties shall be individually referred to as a “**Party**” and collectively referred to as the “**Parties**”.

**INTRODUCTION**

- A. PLK has the exclusive right to use, and possesses the right to license and/or permit third parties to use, the unique Popeyes System and the Popeyes Marks for the development and operation of Quick Service Restaurants known as Popeyes Restaurants throughout the Region.
  - B. PLK is engaged in the business of developing, operating and granting franchises to operate Popeyes Restaurants throughout the Region using the Popeyes System and the Popeyes Marks and such other marks as PLK or its Affiliates may authorize from time to time for use in connection with Popeyes Restaurants.
  - C. PLK and its Affiliates have established a reputation and image with the public as to the quality of products and services available at Popeyes Restaurants, which reputation and image have been, and continue to be, a unique benefit to PLK, its Affiliates and its franchisees.
  - D. On the Original Commencement Date, PLK, Pangaea Three Acquisition Holdings IV, Limited (“**Investor**”), and Cartesian agreed to develop Popeyes Restaurants in the Territory, and for this purpose the JVC was established as a joint venture company (the “**Transaction**”). Upon consummation of the Transaction, PLK owned 10% of the Equity Securities of the JVC and the Investor owned 90% of the Equity Securities of the JVC. Master Franchisee is a wholly-owned subsidiary of the JVC.
  - E. On the Original Commencement Date, PLK and Master Franchisee entered into the Original Agreement, pursuant to which PLK granted to Master Franchisee and Master Franchisee obtained the exclusive right to develop, open and operate (through itself and the Approved Subsidiaries), and to license Franchisees to develop, open and operate, Popeyes Restaurants in the Territory.
  - F. On the A&R Effective Date, as a result of the Combination, the Shareholder owns one hundred percent (100%) of the Equity Securities of the JVC, and the JVC owns one hundred percent (100%) of the Equity Securities of Master Franchisee.
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CERTAIN PORTIONS OF THE EXHIBIT THAT ARE NOT MATERIAL AND IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL HAVE BEEN REDACTED PURSUANT TO ITEM 601(b)(10)(iv) OF REGULATION S-K. [\*\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.

- G. Master Franchisee recognizes, acknowledges, declares and confirms that (i) the benefits to be derived from being identified with and licensed by PLK and being able to utilize the Popeyes System including the Popeyes Marks which PLK makes available to its franchisees are substantial, and (ii) without such benefits being granted by PLK, Master Franchisee would not be in a position to establish and operate a food chain business in the Territory of the nature, reputation and quality of the Popeyes Restaurants and, as such, Master Franchisee has been provided a business opportunity that would not otherwise be available to Master Franchisee.
- H. In connection with the granting of the Development Rights to Master Franchisee to ensure that the Standards shall be complied with and maintained, Master Franchisee has agreed to provide services and operational support to all Popeyes Restaurants operating within the Territory.
- I. Master Franchisee acknowledges that it entered into the Original Agreement and is entering into this Agreement after having made an independent investigation of PLK's operations, and not upon any representation as to the profits and/or sales volumes which it might be expected to realize, nor upon any representations or promises made by PLK or any Person on its behalf which are not contained in this Agreement, except for such representations, warranties, covenants and agreements contained in the Transaction Agreements.
- J. It is the intent of PLK and Master Franchisee to preserve continuing customer confidence in the reliability and quality of all products sold at Popeyes Restaurants.
- K. The Parties now desire to enter into this Agreement, which Agreement will amend, restate, supersede and replace the Original Agreement with effect from the A&R Effective Date.
- L. PLK has delivered to Master Franchisee a pre-contractual disclosure document as required under the applicable Law of the Territory, and Master Franchisee acknowledges that it has received such pre-contractual disclosure document in fulfillment of the requirements of applicable Law of the Territory.

NOW THEREFORE, in consideration of the mutual promises, agreements, obligations and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## 1 INTERPRETATION

### 1.1 Definitions

In this Agreement, the terms below have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the context.

“**A&R Effective Date**” has the meaning set out in the preamble.

“**Accounting Principles**” means the accounting principles of the Shareholder consistent with US GAAP.

“**Acquired Restaurant**” has the meaning set out in clause 6.2.

“**Ad Fund Account**” has the meaning set out in clause 11.1(a).

“**Ad Fund Breach**” has the meaning set out in clause 11.7.

“**Administrative Expenses**” means all general and administrative expenses and overhead associated with managing, administering and maintaining the Advertising Fund, including, without limitation, salaries of relevant employees of Master Franchisee and/or its Affiliates, and the salaries of relevant employees of PLK and its Affiliates if PLK terminates Master Franchisee's right to manage the Advertising Fund and provide the Marketing Services and Advertising Services pursuant to clause 11.7.

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“**Advertising Contributions**” has the meaning set out in clause 11.1(a).

“**Advertising Fund**” means the advertising fund formed by Master Franchisee by combining the Advertising Contributions paid by Master Franchisee and Franchisees under the Company Franchise Agreement and the Franchise Agreements, as applicable, in respect of all Popeyes Restaurants in the Territory, which advertising fund shall be used for the purposes and in the manner stipulated in this Agreement, the Company Franchise Agreement and the Franchise Agreements.

“**Advertising Fund Audit**” has the meaning set out in clause 11.9.

“**Advertising Services**” has the meaning set out in clause 11.5.2.

“**Affected Area**” has the meaning set out in clause 10.2.1.

“**Affiliate**” means any Person that directly or indirectly Controls, is Controlled by, or is under common Control with another Person.

“**Agreement**” means this Amended and Restated Master Development Agreement.

“**Annual Cap**” has the meaning set out in clause 10.2.4.

“**Annual Opening Target**” has the meaning set out in the Development Schedule.

“**Anti-Corruption Laws**” means the FCPA, the CFPOA, the Corruption and Disobedience sections of the Canadian Criminal Code, RSC 1985, c C-46, and all other anti-corruption, fraud, kickback, anti-money laundering, anti-boycott laws, regulations or orders, and all similar laws, or regulations or orders applicable to the Parties of this Agreement in the Territory and any other relevant jurisdictions.

“**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, provincial and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war, including without limitation any applicable Canadian and UK anti-terrorism legislation.

“**Applicable Royalty**” has the meaning set out in clause 9.5.1.

“**Approvals**” has the meaning set out in clause 35.1.1.

“**Approved Facility**” means the specific facility of an Approved Supplier that is approved by PLK in writing to manufacture and/or distribute the Approved Products in the Territory.

“**Approved Plans and Specifications**” means the general plans and specifications for the construction and fit-out of a new or remodelled Restaurant in the Territory (including requirements as to signage and equipment) which may be approved from time to time by PLK in its sole discretion, which, for the avoidance of doubt are not specific to an individual site or Restaurant location.

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“**Approved Products**” has the meaning set out in the Company Franchise Agreement.

“**Approved Subsidiary**” means any entity (a) which will be and remain at all times wholly-owned by Master Franchisee, (b) which will be established in the Territory while the Development Rights are in effect, (c) the business of which will be limited to the operation of Popeyes Restaurants in the Territory, (d) which PLK will license the right to operate Direct-Owned Restaurants in the Territory pursuant to the Company Franchise Agreement, and (e) which will deliver to PLK a Joinder Agreement. An Approved Subsidiary may operate Direct-Owned Restaurants pursuant to the Company Franchise Agreement, subject to compliance with this Agreement and the Company Franchise Agreement.

“**Approved Suppliers**” has the meaning set out in the Company Franchise Agreement.

“**Audit Report**” has the meaning set out in clause 10.3.1.

“**Authority**” means any federal, state, municipal, local or other governmental department, regulatory body, commission, board, bureau, agency or instrumentality, or any administrative, judicial or arbitral court or panel, with jurisdiction over the applicable matter.

“**Background Check Provider**” means Guidehouse, Inc. or any similar service provider with reputable standing and relevant experience acceptable to PLK.

“**Basic Training Program**” has the meaning set out in clause 15.1.1.

“**Board Meetings**” has the meaning set out in clause 2.15.

“**Business Day**” means a day, other than a Saturday, Sunday or public holiday in the Territory and Singapore on which banks are open in the Territory and Singapore for general commercial business.

“**Cartesian**” means, collectively, PANGAEA THREE-B, LP, a legal entity organized and existing under the laws of the Cayman Islands with file registration number of MC-96696, and its Affiliates.

“**Cash and Cash Equivalents**” means, as of any date of determination, the aggregate amount of cash, cash equivalents and marketable securities (including deposits) of the China Group as of such date, determined on a consolidated basis in accordance with the Accounting Principles.

“**CFPOA**” means the Canadian Corruption of Foreign Public Officials Act, S.C. 1998, c. 34, as amended or superseded.

“**Chicken Competitive Business**” means a Quick Service Restaurant business (a) based in and/or operating within the Region, where the combined sales of Chicken Products constitute twenty percent (20%) or more of its overall food and beverage sales and/or total menu items, or (b) based outside and/or operating solely outside the Region, where the combined sales of Chicken Products constitute thirty percent (30%) or more of its overall food and beverage sales and/or total menu items. A Chicken Competitive Business includes businesses that grant franchises or licenses to others to operate any of the types of businesses described in the preceding sentence. Without limiting the generality of the foregoing, the restaurant chains listed on Schedule 1 shall each be considered a Chicken Competitive Business for purposes of this Agreement and the Company Franchise Agreement.

“**Chicken Products**” means any food products intended for human consumption that are (a) made with poultry or poultry parts or cuts, whether fresh or frozen, skinned or unskinned, boned or boneless, including domesticated chickens, turkeys and quails, or (b) intended to be sold as poultry substitutes, including plant-based poultry substitutes.

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“**China Group**” means the Shareholder, together with all subsidiaries of the Shareholder and all entities Controlled by the Shareholder. A “**China Group Company**” shall mean any of them.

“**China Group Debt**” has the meaning set out in clause 2.14.

“**Claim**” means any lawsuit, litigation, dispute, claim, arbitration, mediation, action, hearing, proceeding, investigation, charge, complaint, demand, injunction, judgment, order, decree, ruling or any other proceeding before a judicial, administrative or arbitral court or panel, whether known or unknown, liquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal or equitable.

“**Co-Branded Location**” means a location where a Popeyes Restaurant and another restaurant business under another brand (the “**Other Restaurant Business**”) co-exist and any one of the following characteristics is present: (i) the Popeyes Restaurant and the Other Restaurant Business are staffed with the same employees, or (ii) the Popeyes Restaurant and the Other Restaurant Business share any one of the following: (a) the POS Systems, (b) kitchen or kitchen equipment, (c) seating areas (except that if the Popeyes Restaurant and the Other Restaurant Business are located in a food court, both businesses may share a common seating area), or (d) décor packages.

“**Combination**” means the sale of one hundred percent (100%) of the Equity Securities of the JVC to the Shareholder on the date hereof.

“**Company Franchise Agreement**” means the PRC Company Franchise Agreement. The form of Company Franchise Agreement is attached as Exhibit A.

“**Competitor**” means any Person who (or which), whether directly or indirectly, owns or operates, or licenses to any other Person the right to own and/or operate, (a) any Chicken Competitive Business, and/or (b) any Seafood Competitive Business. For purposes of this definition, the term “**Competitor**” shall also include (i) any Affiliate of such Person, (ii) any director or officer of such Person or Affiliate, (iii) any entity Controlled by such Person or Affiliate, either through the direct or indirect ownership of Equity Securities, a contractual arrangement with one or more holders of Equity Securities or otherwise, and (iv) any immediate family member of such Person (or any Affiliate of any of the foregoing). Notwithstanding the foregoing, the Existing Businesses are excluded from the definition of “**Competitor**” for the purposes of this Agreement and the other Transaction Agreements.

“**Compliance Plan**” is the compliance program and code of business ethics maintained by the JVC (with such modifications and updates as may be agreed to with PLK from time to time) to establish internal controls and reporting mechanisms to prevent, detect, identify, investigate and correct unethical, illegal or improper business practices, including violations of applicable Anti-Corruption Laws.

“**Concept Approval**” has the meaning described in clause 10.2.1.

“**Concept Approval Notice**” has the meaning described in clause 10.2.1.

“**Confidential Information**” has the meaning set out in clause 19.1.

“**Confidential Operating Manual**” means such sets of manuals, guides and video training materials, memoranda, bulletins, directives, computer programs, and other materials whether stored in a retrieval system or in paper format and whether documented or communicated in writing or electronically, as may exist or be changed by PLK and/or its Affiliates from time to time, in their sole discretion, which together create and maintain uniform standards and specifications of use of the Popeyes Marks and the operation of Restaurants and the Popeyes System.

CERTAIN PORTIONS OF THE EXHIBIT THAT ARE NOT MATERIAL AND IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL HAVE BEEN REDACTED PURSUANT TO ITEM 601(b)(10)(iv) OF REGULATION S-K. [\*\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.

“**Control**” or “**Controlled**” means the direct or indirect ownership, whether by ownership of Equity Securities, contract, proxy or otherwise, of shareholding or contractual rights of a Person that assures (a) the majority of the votes in the resolutions of such Person, or (b) the power to appoint the majority of the managers or directors of such Person, or (c) the power to direct or cause the direction of the management or policies of such Person, and the related terms “**Controlled by**” “**Controlling**” or “**under common Control with**” shall be read accordingly.

“**Conversion Rate**” means the official exchange rate published by Bloomberg L.P. (or if this rate is unavailable or is no longer published, the rate published by The Wall Street Journal or such other internationally recognized third party financial information publisher designated by PLK from time to time) for the exchange of the currency in question on the date applicable to any currency conversion.

“**Core Menu Items**” means the items set out in Schedule 5, and such other essential menu items as may be determined by PLK and/or its Affiliates acting in good faith, in their sole discretion, for the Popeyes System globally and not solely with respect to the Territory, from time to time and communicated in writing to Master Franchisee. The publication of any changes to the Core Menu Items in the Confidential Operating Manual shall be considered a “writing” for purposes hereof. PLK shall provide Master Franchisee with reasonable time to implement any new Core Menu Item.

“**Core Menu Item Removal Notice**” has the meaning set out in clause 10.4.1.

“**Cumulative Opening Targets**” has the meaning set forth in the Development Schedule.

“**Current Image**” means the internal and external physical appearance of new or remodeled Popeyes Restaurants including, without limitation, as it relates to signage, fascia, color schemes, menu boards, lighting, furniture, finishes, décor, materials, equipment and other matters generally applicable to PLK’s operations in the Territory as may be changed from time to time by PLK and/or its Affiliates in their sole discretion.

“**Days**” or “**Day**” means calendar day or days, unless otherwise expressly provided.

“**Debt**” means, with respect to China Group, on a consolidated basis, and without duplication, the outstanding principal amount of, together with accrued and unpaid interest on, any (a) indebtedness for borrowed money; (b) other obligations evidenced by any note, bond, debenture or other debt security; and (c) guarantees of any indebtedness of a third party of the type described in the foregoing (a) and (b). “Debt” shall not include (x) any obligations under operating leases or real property leases, (y) any obligations with respect to surety bonds or undrawn letters of credit, or (z) any intercompany obligations.

“**Definitive Agreements**” has the meaning set out in clause 4.10.5.

“**Delivery Aggregator**” means a business that (a) permits a customer to place an order for products provided by a Popeyes Restaurant through an online portal, Mobile Application, call center or other electronic means, (b) transmits such order to the Restaurant for fulfillment, and (c) provides additional services in connection therewith (including delivery and pickup services). The terms of any arrangements between Master Franchisee and a Delivery Aggregator (and any amendments thereto) are subject to approval by PLK (not to be unreasonably withheld or delayed).

“**Delivery Aggregator Information**” means the data and information arising out of the utilization of a Delivery Aggregator by Master Franchisee and/or Franchisees or otherwise provided to Master Franchisee by the Delivery Aggregator. Delivery Aggregator Information includes sales data, aggregated, per order and per SKU sales and order accuracy data (food subtotal, tax amounts, etc.), Delivery Fees, customer ratings and feedback, metrics relevant to improve in-store performance, including online time, wait time at pickup, total delivery time, unaccepted or canceled orders, time to accept orders, preparation time and completed and failed orders, and such other information that PLK may from time to time request.

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“**Delivery Fee**” means the full amount of the commission, service fee or other charge paid to Delivery Aggregators and other third parties in connection with the Delivery Program.

“**Delivery Program**” means a PLK-approved program pursuant to which customers can order Approved Products (as defined in the Company Franchise Agreement) to be delivered to their home or office through any means, including an online portal which is accessible via a computer or a Mobile Application, call center or other electronic means. Each participating Popeyes Restaurant will (a) manage the Delivery Program in the manner prescribed by PLK from time to time (which is currently through a web-based delivery manager portal), including the management of delivery zones, orders, drivers, product availability and pricing, (b) purchase special equipment approved by PLK from time to time (to the extent applicable to all franchisees in the Region) in order to maintain temperature of the Approved Products and to connect the POS System to the then approved delivery system (currently, the delivery manager portal), and (c) pay all applicable fees to the third party vendor, if any, which is approved by PLK from time to time to administer all or any portion of the Delivery Program, including the online portal, call center and delivery manager portal.

“**Delivery Requirements**” means the rules, policies, guidelines and Standards established by PLK, in its sole discretion, from time to time in connection with a Delivery Program, taking into consideration local norms, customs and practices, and recommendations from Master Franchisee.

“**Development Cure Period**” means for any Shortfall Year, a six (6) month period commencing on January 1<sup>st</sup> of the Development Year immediately following such Shortfall Year.

“**Development Default**” has the meaning set out in clause 6.8.

“**Development Rights**” has the meaning set out in clause 4.1.

“**Development Schedule**” means the schedule attached to this Agreement as Schedule 2.

“**Development Services**” has the meaning set out in clause 9.13.

“**Development Year**” or “**Year**” means each calendar year during the Term, except for the first Development Year, which began on the Original Commencement Date and shall end on December 31, 2023.

“**Direct-Owned Restaurants**” means the Popeyes Restaurants owned, established and operated by Master Franchisee and/or Approved Subsidiaries in the Territory pursuant to this Agreement and the Company Franchise Agreement. Direct-Owned Restaurants include any Acquired Restaurants.

“**Direct-Owned Restaurant Fee Credit**” has the meaning set out in clause 8.6.

“**Direct-Owned Restaurant Limitation**” has the meaning set out in clause 6.1.

“**Direct-Owned Restaurant Unit Fee**” has the meaning set out in clause 8.5.

“**Dispute**” has the meaning set out in clause 29.2.

“**DTT**” has the meaning set out in clause 22.6.

“**Early Closure Request**” has the meaning set out in clause 6.6.



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“**Equity Securities**” means, with respect to a Person that is a legal entity, any and all shares of the capital stock or other equity interests of such Person, securities of such Person convertible into, or exchangeable or exercisable for, such shares or other equity interests, and options, warrants or other rights, including, but not limited to, subscription rights, to acquire such shares or other equity interests.

“**Events of Default**” means those events set out in clause 18.1.

“**Exclusivity Exclusions**” has the meaning set out in clause 4.5.

“**Existing Businesses**” has the meaning set out in clause 14.3.

“**Export Control Laws**” means the various export control statutes, regulations, decrees, orders, guidelines and policies of the United States Government and the Government of Canada, collectively referred to as “Export Control Laws,” including, but not limited, to the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130 (2016)) of the U.S. Department of State, the Export Administration Regulations (“EAR”) (15 C.F.R. Parts 730-774 (2016)) of the U.S. Department of Commerce; the U.S. anti-boycott regulations and guidelines, including those under the EAR and U.S. Department of the Treasury regulations; the various economic sanctions regulations and guidelines of the U.S. Department of the Treasury, Office of Foreign Assets Control, as amended, the equivalent laws and regulations of Canada; and restrictions against dealings with certain prohibited, debarred, denied or specially designated entities or individuals under statutes, regulations, orders, and decrees of various agencies of the United States Government or Government of Canada.

“**Extension Notice**” has the meaning set forth in clause 5.1.1.

“**Extension Period**” has the meaning set forth in clause 5.1.

“**Extension Period Targets**” has the meaning set out in the Development Schedule.

“**FCPA**” means the U.S. Foreign Corrupt Practices Act of 1977, as amended or superseded.

“**Final Judgment**” has the meaning set out in clause 20.5.

“**Final Proposal**” has the meaning set out in clause 4.10.5.

“**Financial Year**” means the fiscal year of the Shareholder and its subsidiaries, including Master Franchisee and the Approved Subsidiaries.

“**First Deadline**” has the meaning set out in clause 4.10.3.

“**Force Majeure Event**” has the meaning set out in clause 6.9.

“**Franchise Agreement**” means a franchise agreement authorized by PLK to be used in the Territory and entered into between Master Franchisee, as franchisor, and a Franchisee, as franchisee, during the Term which grants Franchisee the right to operate a Franchised Restaurant at a specific location in the Territory. Prior to entering into the Franchise Agreement with respect to the first Franchised Restaurant in the Territory, the final form of Franchise Agreement shall be approved in writing by PLK. In addition, PLK shall approve any changes to the form of Franchise Agreement from time to time and may require Master Franchisee to implement changes to the form in the event that PLK’s requirements change from time to time.

“**Franchised Restaurants**” means, collectively, the Popeyes Restaurants operated by Franchisees pursuant to Franchise Agreements.

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“**Franchised Restaurant Unit Fee**” has the meaning set out in clause 9.4.1.

“**Franchisee**” means a Person that is not an Affiliate of Master Franchisee who is licensed by Master Franchisee to open and operate a Popeyes Restaurant in the Territory pursuant to a Franchise Agreement.

“**Funding Breach**” has the meaning set forth in clause 2.17. “**FSC**” has the meaning set out in clause 20.9.6.

“**FSR**” has the meaning set out in clause 20.9.6.

“**Global Marketing Policy**” means the Global Marketing Policy, as such policy may be amended or supplemented by PLK and/or its Affiliates from time to time in their sole discretion. The current version of the Global Marketing Policy is attached as Exhibit F.

“**Goods and Services**” means the goods and services in respect of which the Popeyes Marks are registered.

“**Gross Sales**” includes all sums charged or received in cash or by credit (and regardless of collection in the case of credit) for all goods and merchandise sold or otherwise disposed of, or services provided or performed at or from a Restaurant, including all premiums unless exempted by PLK, and all other revenue and income of every kind and nature related to the Restaurant. The sale of Popeyes products away from a Restaurant is not authorized; however, should any such sales, including off-premises services such as catering and delivery, occur or be approved in the future, they will be included within the definition of Gross Sales. For the avoidance of doubt, Gross Sales includes all sums charged or received in cash or by credit by Master Franchisee or a Franchisee for goods or merchandise sold through the provision of delivery or catering services, whether such delivery or catering services are provided by Master Franchisee, a Franchisee or another third party. For further clarity, if the delivery or catering services are provided by a Delivery Aggregator or other third party and a portion of the sum charged to or received in cash or by credit from customers must be paid by Master Franchisee or the Franchisee to the Delivery Aggregator or other third party as a Delivery Fee, such Delivery Fee shall not be deducted from the calculation of Gross Sales. Finally, any fees or costs relating to loyalty programs of Master Franchisee or a third party, including, without limitation, fees paid on the issuance of loyalty points or similar award units, whether or not such fees or costs are paid directly to any loyalty program administrator or service provider or are deducted from amounts otherwise due to Master Franchisee by such loyalty program administrator or service provider for the sale of Popeyes products at a Restaurant, shall not be deducted from the calculation of Gross Sales. Gross Sales excludes taxes that are required by applicable Law: (a) to be levied on the customer at the time of each sales transaction; (b) to be collected by Master Franchisee or a Franchisee and remitted to the Tax Authority by such Persons; and (c) to be based upon the amount of the sale. Gross Sales also excludes cash received as payment in credit transactions where the extension of credit itself has already been included in the figure upon which the Royalty and Advertising Contribution is calculated. In addition, and for certainty only, taxes based on gross income or gross revenue of Master Franchisee or a Franchisee shall not be deducted from the calculation of Gross Sales.

“**HK\$**” means Hong Kong Dollars.

“**HK Development Rights**” has the meaning set out in clause 4.10.

“**ICC Rules**” has the meaning set out in clause 29.3.

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“**Indirect Tax**” or “**Indirect Taxes**” means sales and use tax, goods and services tax, value added tax, ad valorem tax, excise tax, duty, levy or other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing (together with any penalties, interest, or other similar amounts thereon) levied by a Tax Authority.

“**Initial Term**” has the meaning set out in clause 5.1.

“**Intellectual Property Claims**” has the meaning set out in clause 20.2.4.

“**Interest Notice**” has the meaning set out in clause 4.10.3.

“**Interim FA**” means that certain franchise agreement to be entered into by and between PLK and Mr. Peng Zhang with respect to the Popeyes Marks and/or the Popeyes Restaurants in the Territory.

“**Investor**” has the meaning set out in Recital D.

“**IP Transferee**” has the meaning set out in clause 21.2.

“**IT Systems**” means POS Systems, Order Systems or any other technology for the purpose of (a) communicating with customers of Popeyes Restaurants in the Territory, or (b) collecting, managing, processing, storing and using Popeyes Restaurant data, as well as any other data and information collected from or relating to customers of Popeyes Restaurants in the Territory, which may be mandated or approved by PLK or any of its Affiliates from time to time during the Term, and including any system, equipment, network, wiring, hardware and software in connection with any of the foregoing.

“**Joinder Agreement**” means the Joinder Agreement executed by Master Franchisee and an Approved Subsidiary and delivered to PLK, pursuant to which the Approved Subsidiary agrees to be bound by the Company Franchise Agreement and jointly and severally liable with Master Franchisee and all other Approved Subsidiaries for all of the liabilities and obligations of Franchisee (as defined in the Company Franchise Agreement) pursuant to the Company Franchise Agreement and each Unit Addendum issued thereunder. The form of Joinder Agreement is attached as Schedule E to the Company Franchise Agreement.

“**JVC**” has the meaning set out in the preamble.

“**Law**” or “**law**” means, collectively, any laws, rules, statutes, decrees, regulations, circulars, writs, injunctions, ordinances or orders, including all applicable public, environmental, and competition laws, and regulations; and any administrative decisions, judgments and other pronouncements enacted, issued, promulgated, enforced or entered by any Authority.

“**Level 2 Background Check**” means the final report issued by the Background Check Provider based on the level 2 background check to be conducted by the Background Check Provider, which will be limited to:

- (a) the standard scope of work of Guidehouse, Inc. for a Level 2 Background Check, a copy of which is in the agreed form attached as Exhibit B hereto, as such scope may be modified by applicable Law (the “**Level 2 Agreed Scope**”); or
- (b) to the extent that Guidehouse, Inc. from time to time amends its standard scope for work for completing a background check of an equivalent level to that contemplated by the Level 2 Agreed Scope, such amended scope; or

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- (c) to the extent that a provider other than Guidehouse, Inc. is used, its standard scope of work at the relevant time for completing a background check of an equivalent level to that contemplated by the Level 2 Agreed Scope.

“**Local Currency**” has the meaning set out in clause 22.1.

“**Losses**” means any losses, amounts paid in settlement, penalties, fines, damages (including special, indirect and consequential damages), lost profits, liabilities, costs and expenses (including reasonable attorneys’ fees and expenses incurred in investigating, preparing or defending any Claims covered hereby).

“**LTM EBITDA**” means, as of any date of determination, the consolidated earnings before interest, taxes, depreciation and amortization of China Group for the 12-month period ending as of the last day of the month ended immediately prior to such date, determined in accordance with the Accounting Principles.

“**Mainland China**” means the PRC, excluding Taiwan and the Special Administrative Regions of Hong Kong and Macau.

“**Marketing Agencies**” means all service providers or agencies retained directly or indirectly by Master Franchisee to provide Marketing Services during the Term.

“**Marketing Calendar**” means the annual marketing calendar for the Territory, to be delivered to PLK and/or its Affiliates under clause 11.4.

“**Marketing Services**” has the meaning set out in clause 11.5.1.

“**Master Franchisee**” means the Party designated in the preamble above as Master Franchisee, its successors and permitted assigns.

“**Material Change in Ownership**” has the meaning set out in clause 18.9.

“**MDA Termination Event**” means the (a) expiration of this Agreement, or (b) termination of this Agreement or the termination of the Development Rights, whichever occurs first.

“**Mobile Application**” means any application software, platform, application or functionality embedded within social media applications or platforms or any other software configurations or systems designed to run on smartphones, tablets, computers and other mobile devices.

“**MOFCOM**” means the Ministry of Commerce of the PRC.

“**Monitoring Services**” has the meaning set out in clause 16.1.

“**MOP**” means Macanese pataca, the currency of the Macau Special Administrative Region of the PRC.

“**Net Debt**” means, as of any date of determination, the aggregate amount of Debt of China Group outstanding as of such date, minus the aggregate amount of Cash and Cash Equivalents of China Group as of such date, in each case determined on a consolidated basis in accordance with the Accounting Principles.

“**Notice of Completion**” means a written notice from Master Franchisee to PLK, advising PLK that Master Franchisee or an Approved Subsidiary will open a Direct-Owned Restaurant and providing the scheduled opening date and location of the Direct-Owned Restaurant.

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“**Notice of Dispute**” has the meaning set out in clause 29.2.

“**Offer Date**” has the meaning set out in clause 4.10.2.

“**Offer Notice**” has the meaning set out in clause 4.10.2.

“**Opening Supervision Services**” has the meaning set out in clause 15.4.

“**Optional Training Programs**” has the meaning set out in clause 15.1.3.

“**Original Agreement**” means the Master Development Agreement dated March 30, 2023 by and between PLK and Master Franchisee.

“**Original Commencement Date**” has the meaning set out in the preamble.

“**Order Systems**” means any technology-based methods of taking, processing, routing and delivering orders or receiving payment for such orders as mandated or approved by PLK or any of its Affiliates from time to time during the Term, including restaurant kiosks, websites, and Mobile Applications.

“**Other Brands**” has the meaning set out in clause 4.4.

“**Other Distribution Channels**” means distribution channels other than Popeyes Restaurants, such as retail channels, including supermarkets, grocery and convenience stores, catering and unmanned machines and petrol filling stations.

“**Other Marks**” means worldwide trademarks, service marks, trade names, trade dress, logos, slogans, designs, copyrights, other intellectual property and other commercial symbols and source-identifying indicia (and the goodwill associated therewith) that are similar, either in whole or in part, to those of any PLK Affiliate.

“**P&L Information**” means the following information, by hard copy or electronic format prescribed by or otherwise acceptable to PLK: (a) monthly, quarterly and fiscal year-to-date profit and loss statements prepared as management accounts in accordance with generally accepted accounting principles in the Territory for each Direct-Owned Restaurant or Franchised Restaurant and the total operations of Master Franchisee and the applicable Franchisees, as the case may be, including, without limitation, all Popeyes Restaurants operated by Franchisee which for the avoidance of doubt includes the main office function and any distribution function and (b) such other information and records of any kind as PLK may reasonably require from time to time, including, without limitation, quarterly balance sheets and income statements and copies of any other documentation provided to the Tax Authorities relating to the Direct-Owned Restaurants or Franchised Restaurants, as the case may be.

“**Parent**” has the meaning set out in clause 18.2(d).

“**Party**” and “**Parties**” has the meaning set out in the preamble above.

“**Payment Restriction**” has the meaning set out in clause 22.4.

“**Permitted Closure Restaurant**” has the meaning set out in clause 6.7.

“**Person**” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Authority, statutory organization or other entity.

“**PLK**” means the Party designated in the preamble above as PLK, its successors and assigns.

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“**PLK Designee**” has the meaning set out in clause 2.15.

“**PLK Indemnified Parties**” means PLK, its Affiliates and their respective directors, officers, employees, shareholders, advisors and agents.

“**Polling Information**” means information or data about Popeyes Restaurants and customers of Popeyes Restaurants that is transmitted to or from an IT System operated by Master Franchisee, a Franchisee or their respective agents into a computer or system operated by PLK or its agents in the manner and format prescribed by or on behalf of PLK from time to time. For the avoidance of doubt, Polling Information includes, without limitation, daily sales, daily transaction level data, number of items sold and their respective prices, coupon data, sales per visit, digital sales and products and combinations of products sold, otherwise known as product mix data or “PMIX” and inventory data, as well as any other data and information collected from or relating to customers of Popeyes Restaurants in the Territory.

“**Popeyes Advertising Materials**” means all advertising, marketing, promotional, and public relations materials used to advertise or promote Popeyes Restaurants, including video, audio, print, mobile, digital, and electronic advertisements, pamphlets, brochures, collateral materials, merchandising and in- restaurant point of purchase materials, and internet materials (including websites), created, developed or obtained by Master Franchisee in connection with the provision of the Services during the Term.

“**Popeyes Core Marks**” means the marks set forth on Schedule 4A.

“**Popeyes Curriculum**” means those training manuals, lesson plans and other guidelines, in hard copy or electronic format, including online training materials, in relation to the provision of Training Services which have been developed or approved by PLK and/or its Affiliates and made available in writing to Master Franchisee from time to time.

“**Popeyes Domain Names**” means all internet or global computing network addresses or locations, including all top-level domains (and the goodwill associated therewith) used to advertise or promote Popeyes Restaurants, including domain names developed, acquired or used by Master Franchisee in connection with the operation of the Restaurants and the provision of the Services during the Term.

“**Popeyes Global Initiatives**” means global, regional and other advertising, promotional, marketing and research initiatives intended for the benefit of the Popeyes System, as determined by PLK and its Affiliates, from time to time in their sole discretion.

“**Popeyes Intellectual Property Rights**” means all industrial and intellectual property rights subsisting (but excluding any industrial and intellectual property rights that may be owned by third parties) in the Popeyes System, Popeyes Curriculum, Popeyes Advertising Materials, Popeyes Packaging Materials, and any other material or information provided to Master Franchisee or any Franchisee under this Agreement, the Company Franchise Agreement, any Franchise Agreement or any other agreement (excluding the Popeyes Marks and Popeyes Domain Names). For purposes of this Agreement, the Popeyes Intellectual Property Rights shall also include social media accounts (including Facebook, Twitter, Google, Pinterest, Instagram and YouTube) and other digital assets currently administered by Master Franchisee as of the Original Commencement Date and those which may be administered by Master Franchisee on and after the Original Commencement Date and (to the extent permitted by applicable Law), all User Data.

“**Popeyes Logo**” means the principal logo used by PLK and/or its Affiliates from time to time in respect of the Popeyes System.

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“**Popeyes Marks**” means the worldwide trademarks, service marks, trade names, trade dress, logos (including, but not limited to, the Popeyes Logo), slogans, designs and other commercial symbols and source-identifying indicia (and the goodwill associated therewith) used in the operation of the Restaurants and the Popeyes System, whether registered, applied for or unregistered.

“**Popeyes Master GTCs**” means the Master General Terms and Conditions of Supply for PLK governing the supply of Approved Products to the Popeyes System in the Territory as determined by PLK and/or its Affiliates from time to time in their sole discretion. All Approved Suppliers shall accept the Popeyes Master GTCs.

“**Popeyes Packaging Materials**” means and includes all tags, labels, cartons, bags, containers, wrapping, and other materials used in the Restaurants, including, but not limited to packaging materials developed, acquired or used by Master Franchisee in connection with the operation of the Restaurants and the provision of the Services during the Term.

“**Popeyes QA Program**” means all written quality assurance processes, testing procedures and other requirements of PLK and/or its Affiliates relating to the design, manufacture and/or distribution of Approved Products in the Popeyes System, including, but not limited to, the Product Specifications and all documents and procedures referenced or incorporated therein, as any and/all of the same shall be amended from time to time by PLK and/or its Affiliates in its and/or their sole discretion.

“**Popeyes Restaurants**” and “**Restaurants**” means restaurants operating under the Popeyes System and utilizing the Popeyes Marks in a format approved by PLK and/or its Affiliates, in their sole discretion. A “**Popeyes Restaurant**” or “**Restaurant**” means any of them. Popeyes Restaurants include Direct-Owned Restaurants and Franchised Restaurants.

“**Popeyes System**” means the unique restaurant format and operating system developed or owned by PLK and/or its Affiliates for the development and operation of Quick Service Restaurants, and to which PLK has the right to license in the Territory, including proprietary designs and colour schemes for restaurant buildings, equipment, layout and décor, proprietary menu and food preparation and service formats, uniform product and quality specifications, training programs, restaurant operations manuals, bookkeeping and report formats, marketing and advertising formats, promotional marketing items and procedures for inventory and management control, and also includes the Current Image and Popeyes Marks, Popeyes Domain Names, Popeyes Intellectual Property Rights, Popeyes Logo and all Confidential Information, other proprietary information, copyrights and other intellectual property rights relating to the system, and any modifications, amendments, improvements and/or other changes PLK and/or any of its Affiliates may make to the system from time to time, in their sole discretion.

“**POS System**” means a point of sale system approved by PLK and/or an Affiliate of PLK in its sole discretion, after consultation with Master Franchisee, for use in the Territory consisting of electronic hardware and software technology (including hardware and software updates approved and prescribed by PLK and/or its Affiliates after consultation with Master Franchisee), which captures, records and transmits sales, taxes on sales, type and price of each item sold, coupon redemptions, number, date and time of transactions, products and combinations of products sold and employees using the system and such other related information as may be required by PLK from time to time, in its sole discretion.

“**PRC**” means the People’s Republic of China.

“**PRC Company Franchise Agreement**” means the Company Franchise Agreement, of even date herewith, by and among PLK, as franchisor, Master Franchisee, as parent, and an Approved Subsidiary, as franchisee, pursuant to which, among other things, PLK will grant the franchisee a license to use the Popeyes Marks in connection with the operation of Direct-Owned Restaurants in Mainland China and Macau.

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“**Pre-Opening Services**” has the meaning set out in clause 15.4.

“**Prior Agreements**” has the meaning set out in clause 18.6.

“**Product Approval Notice**” has the meaning set out in clause 10.3.1.

“**Product Specifications**” means (i) all written processes, procedures and requirements of PLK and/or its Affiliates as they relate to the design, development and manufacture of Approved Products, as they may be amended by PLK and/or its Affiliates from time to time in their sole discretion; and (ii) all product descriptions, as may be amended by PLK and/or its Affiliates from time to time in their sole discretion (e.g., commodity type, raw materials and ingredient listing, finished product standards, product formulation, processing control points, packaging, labelling and nutritional information, if applicable).

“**Product Supplier Documents**” has the meaning set out in clause 10.3.1.

“**Prohibited Person**” means a Person (a) for whom evidence exists that such Person has been blacklisted or identified as a defaulting entity or its equivalent by any Authority, (b) that has engaged in prior or current criminal activity which would (or would reasonably be expected to) rise to the level of an offense punishable by imprisonment, (c) for whom evidence exists of moral turpitude or reputational issues, or (d) that has been accused by a competent regulator, voluntarily disclosed or admitted to, or has otherwise been found by a court of competent jurisdiction to have violated, attempted to violate, aided or abetted another party to violate, or conspired to violate, any of the Anti-Corruption Laws.

“**Proposal**” has the meaning set out in clause 4.10.3.

“**Public Company**” means a Person that has listed its Equity Securities on a recognized stock exchange and complies with the applicable reporting requirements of such stock exchange and any applicable Authority.

“**Qualified Expenditures**” means those expenditures that may be paid out of the Advertising Fund, as more particularly described in the Global Marketing Policy.

“**Quick Service Restaurant**” means any restaurant that does not offer table service as its principal method of ordering or food delivery.

“**RBI**” means Restaurant Brands International Inc., a public company incorporated under the laws of Canada, and the indirect parent company of PLK.

“**RBI Brands**” means the restaurant brands and franchise systems or trademarks owned, operated, licensed or acquired at any time by RBI or an Affiliate of RBI. The current RBI Brands are BURGER KING®, TIM HORTONS®, POPEYES®, and FIREHOUSE SUBS®.

“**RBI Franchisee**” means (a) a Person that holds (or formerly held) one or more licenses (whether exclusive or non-exclusive) to own, operate or subfranchise any of the RBI Brands, and (b) an Affiliate of such Person.

“**Region**” means the Asia and the Pacific region (as defined by PLK from time to time, in its sole discretion), which includes the Territory. “**Relevant Persons**” has the meaning set out in clause 4.10.1.



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“**Renewal Fee**” means the sum of [\*\*\*\*] to be paid by Master Franchisee to PLK upon renewal of a Unit Addendum or a Franchise Agreement for a twenty (20) year term (which amount will be prorated if the term of the applicable Renewal Unit Addendum or Franchise Agreement renewal is less than twenty (20) years).

“**Replacement Restaurant**” has the meaning set out in clause 8.6.

“**Required Country**” has the meaning set out in clause 22.1.

“**Required Currency**” has the meaning set out in clause 22.1.

“**Reserve Account**” has the meaning set out in clause 22.4.

“**Restaurant Management**” means restaurant managers, assistant managers and shift supervisors in respect of a Popeyes Restaurant.

“**Retail Opportunity**” has the meaning set out in clause 4.6.

“**Retail Opportunity Notice**” has the meaning set out in clause 4.6.

“**Right of First Offer**” has the meaning set out in clause 4.10.1.

“**RMB**” means the lawful currency of the PRC.

“**Royalty**” or “**Royalty Fee**” means the non-refundable amounts payable by Master Franchisee to PLK or its designee pursuant to clauses 8.7 and 9.5.

“**Sales Report**” means the monthly overview of sales provided by Franchisees with respect to each of their Franchised Restaurants pursuant to their respective Franchise Agreements.

“**Seafood Competitive Business**” means any Quick Service Restaurant business where the combined sales of Seafood Products constitute twenty percent (20%) or more of its overall food and beverage sales and/or total menu items. A Seafood Competitive Business includes businesses that grant franchises or licenses to others to operate any of the types of businesses described in the preceding sentence.

“**Seafood Products**” means any food products intended for human consumption that are (i) made with fish or shellfish, or fish or shellfish parts or cuts, whether fresh or frozen, skinned or unskinned, boned or boneless, including marine or freshwater fish, shrimp or crawfish, or (ii) intended to be sold as seafood substitutes, including plant-based seafood substitutes.

“**Second Deadline**” has the meaning set out in clause 4.10.3.

“**Services**” means the services to be provided by Master Franchisee to Direct-Owned Restaurants and Franchised Restaurants in accordance with this Agreement, in each case including Advertising Services, Marketing Services, Training Services, Monitoring Services, Development Services, Opening Supervision Services and Pre-Opening Services.

“**Shareholder**” has the meaning set out in the preamble.

“**Shareholder Board**” has the meaning set out in clause 2.15.

“**Shortfall Year**” has the meaning set out in clause 6.8.

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“**Site Approval**” has the meaning set out in clause 7.2.

“**Site Information**” has the meaning set out in clause 7.3.1.

“**Standards**” means the standards, including the operating standards established from time to time by PLK and/or its Affiliates as to quality of service, cleanliness, health and sanitation, requirements, specifications and procedures for Popeyes Restaurants issued, directed and amended by PLK and/or its Affiliates from time to time, in their sole discretion, including those contained from time to time in the Confidential Operating Manual (and such superseding or additional documents as may be issued by PLK and/or its Affiliates from time to time).

“**Subsidiary**” means a wholly owned direct subsidiary of Master Franchisee.

“**Substitute Master Franchisee**” has the meaning set out in clause 22.4.

“**Survey Program**” has the meaning set out in clause 11.2.4.

“**Surviving Provisions**” means the provisions of this Agreement that shall survive an MDA Termination Event. The Surviving Provisions are the following: clause 1.1 (Definitions); clause 1.2 (Construction); clause 2 (Master Franchisee), except for clause 2.2; clause 4.1.2, but only with respect to the Prior Agreements, it being understood that the reference to “Franchise Agreements” in such clause shall refer to “Prior Agreements” and that no right to license Franchisees to develop, establish, own and operate any Franchised Restaurants after the Termination Date shall be conferred on Master Franchisee pursuant hereto; clause 9.2.5 through clause 9.3.3 (inclusive), clause 9.5 through clause 9.10 (inclusive) and clause 9.12, it being understood that all references in such clauses to “Franchise Agreements” shall refer to “Prior Agreements”; clause 12 (Popeyes Marks and Popeyes Domain Names); clause 13 (Popeyes Intellectual Property Rights); clause 14 (Competition); clause 18.4, 18.6, 18.7 and 18.8; clause 19 (Confidentiality); clause 20 (Indemnification and Insurance); clause 22 (Currency, Exchange Control and Taxation); clause 23 (Audit Rights); clause 24 (Severability); clause 26 (Notices); clause 27 (Non- Waiver); clause 28 (Relationship of Parties); clause 29 (Governing Law & Jurisdiction; Language); clause 30 (No Third Party Enforcement Rights); clause 31 (Survival); clause 32 (Parties to This Agreement All Legally Advised); and clause 33 (Interest).

“**Targets**” means, collectively, the Cumulative Opening Targets, Annual Opening Targets and Extension Period Targets (if applicable).

“**tax**” or “**taxes**” means all taxes, however denominated, including any interest, penalties, or other additions that may become payable in respect thereof, imposed by any Tax Authority, which taxes shall include all income or profits taxes (including federal income taxes and provincial or state income taxes), capital taxes, withholding taxes, payroll and employee withholding taxes, employment insurance (including provincial health insurance, old age benefits, welfare funds, pensions and annuities and disability insurance), social insurance taxes, Indirect Taxes, customs duties, tariffs, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers’ compensation, other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing (together with any penalties, interest, or other similar amounts thereon).

“**Tax Authority**” means any Authority having or purporting to have power to impose, administer or collect any tax.

“**Term**” has the meaning set out in clause 5.1.

“**Termination Date**” has the meaning set out in clause 18.4.

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“**Termination Notice**” has the meaning set out in clause 18.3.1.

“**Termination Period**” has the meaning set out in clause 18.3.

“**Territory**” means the de jure boundaries of the PRC (as depicted in the map attached as Schedule 3), which for the purposes of this Agreement excludes Taiwan and the Special Administrative Region of Hong Kong, but includes the Special Administrative Region of Macau.

“**Territory Development Agreements**” has the meaning set out in clause 4.1.4.

“**Third Deadline**” has the meaning set out in clause 4.10.5.

“**Total Equity Contribution**” has the meaning set forth in clause 2.17.

“**Training Services**” has the meaning set out in clause 15.1.

“**Transaction**” has the meaning set out in the Recitals.

“**Transaction Agreements**” means this Agreement, the Company Franchise Agreement, each Unit Addendum and any other written agreement between the Parties entered into in connection with the Transaction.

“**Transfer**” and “**Transferred**” have the meaning set out in clause 21.1.

“**Transition Period**” has the meaning set out in clause 18.7.

“**Unit Addendum**” means Schedule B to the Company Franchise Agreement, which will identify the location of a Direct-Owned Restaurant and any Renewal Unit Addendum (as defined in the Company Franchise Agreement) with respect thereto.

“**Unit Addendum Term**” has the meaning set out in clause 8.4.

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“**Unregistered Marks**” has the meaning set out in clause 12.1.4. “**US\$**” means United States Dollars.

“**US GAAP**” means generally accepted accounting principles in the United States of America.

“**User Data**” means all log-in information and personal data of all users/fans/followers of the Popeyes Intellectual Property Rights.

“**VAT**” means the value added tax payable under applicable Law of the Territory.

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“**Withholding Income Tax**” means a retention tax on income, to be paid to a Tax Authority by the payor of the income rather than the recipient of the income. Withholding Income Tax is withheld or deducted by the payor from the income due to the recipient.

## 1.2 Construction

- (a) Capitalized terms used herein, which are not defined in this Agreement but are defined in the Company Franchise Agreement shall have the same meaning as in the Company Franchise Agreement unless the context otherwise requires.
- (b) In this Agreement, unless otherwise specified (i) singular words include the plural and plural words include the singular; (ii) words importing any gender include the other gender; (iii) references to any Law include all applicable rules, regulations and orders adopted or made thereunder and all statutes or other laws amending, consolidating or replacing the statute or law referred to; (iv) references to any agreement or other document, including this Agreement, include all subsequent amendments, modifications or supplements to such agreement or document made in accordance with the terms hereof and thereof; (v) references to clauses, Exhibits and Schedules are to the clauses, Exhibits and Schedules of this Agreement, unless the context otherwise requires; (vi) numberings and headings of clauses, Exhibits and Schedules are inserted as a matter of convenience and shall not affect the construction of this Agreement; (vii) the term “including” as used herein means “including but not limited to”; and (viii) all Exhibits and Schedules to this Agreement are incorporated herein by this reference thereto as if fully set forth herein, and all references herein to this Agreement shall be deemed to include all such incorporated Exhibits and Schedules.
- (c) In all cases where Master Franchisee is required to obtain PLK’s prior consent, authorization or approval, such consent, authorization or approval shall be granted or withheld in the sole and absolute discretion of PLK, unless otherwise indicated, and any such consent, authorization or approval must be in a writing signed by a duly authorized officer of PLK.
- (d) References to a Party shall include such Party’s permitted successors and assigns.
- (e) Reference to any specific standard, policy, procedure, form, agreement or process of PLK and/or any of its Affiliates includes a reference to any policy, procedure, form, agreement or process described by any other name which has been issued by PLK and/or any of its Affiliates in substitution thereof or with substantially similar effect.
- (f) The headings as to contents of particular clauses are inserted only for convenience and reference and are in no way to be construed as part of this Agreement or as a limitation on the scope of any of the terms or provisions of this Agreement.
- (g) A writing includes any mode of representing or reproducing words in tangible and permanently visible forms, and includes electronic mail and, with respect to PLK, the posting on PLK’s intranet.
- (h) In the event that any Day on which a payment is due from Master Franchisee under this Agreement falls on a day other than a Business Day, then Master Franchisee shall make such payment on the prior Business Day.
- (i) References to Master Franchisee, including the references in clause 8 and clause 22, shall be deemed, where appropriate, to include the Approved Subsidiaries, and references to the development, establishment, ownership, operation and/or closure of Direct-Owned Restaurants by Master Franchisee shall be deemed, where appropriate, to include the development, establishment, ownership, operation and/or closure of such Restaurants by Approved Subsidiaries; provided, however, that Master Franchisee and any such Approved Subsidiary shall have executed a Joinder Agreement and delivered such executed Joinder Agreement to PLK in accordance with the terms of this Agreement and the Company Franchise Agreement.

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## 2 MASTER FRANCHISEE

- 2.1 Upon PLK's request, Master Franchisee shall, at Master Franchisee's expense, within ten (10) Business Days following receipt of the request, furnish PLK with certified copies of any amendments to, or restatements of, articles of incorporation, bylaws and other governing documents of Master Franchisee and the Approved Subsidiaries.
- 2.2 Master Franchisee shall at all times during the Term, at its sole cost and expense, maintain a business office and premises within the Territory. The business office and premises will be located so as to permit Master Franchisee to adequately (a) sell franchises for Popeyes Restaurants within the Territory, (b) supervise and promote Popeyes Restaurants within the Territory, and (c) provide the Services to Direct-Owned Restaurants and Franchised Restaurants in accordance with this Agreement. For the avoidance of doubt, Master Franchisee may not solicit Franchisees for business of any kind except as approved by PLK in writing in its sole discretion.
- 2.3 PLK hereby engages Master Franchisee to provide the Services in the Territory in accordance with this Agreement, and Master Franchisee hereby accepts such engagement. Master Franchisee will at all times provide the Services in compliance with this Agreement and the Franchise Agreements to ensure that the Standards shall be complied with and maintained, and Master Franchisee understands and acknowledges that the foundation of the Popeyes System is the adherence to the Standards by Franchisees, including Master Franchisee, and provides the basis for the valuable good will and wide acceptance of the Popeyes System.
- 2.4 Master Franchisee shall secure and maintain in force in all material respects all licenses, permits and certificates relating to the operation of the Direct-Owned Restaurants, pay promptly or ensure payment of all material taxes and assessments when due and operate or ensure operation of the Direct-Owned Restaurants in compliance with all applicable Laws in all material respects, including those relating to occupational hazards, health, workers' compensation insurance, unemployment insurance, payment of taxes owed to any Authority, and the Anti-Corruption Laws. If applicable, Master Franchisee agrees that it shall register for VAT with the applicable Authority and stay registered for VAT and require that Franchisees register for VAT with the applicable Authority and stay registered for VAT. Master Franchisee shall provide PLK with evidence of such tax registrations upon PLK's request.
- 2.5 Master Franchisee shall use commercially reasonable efforts to procure that all Franchisees shall secure and maintain in force all required licenses, registrations, approvals, permits and certificates relating to the operation of the Franchised Restaurants. Further, Master Franchisee shall use commercially reasonable efforts to procure that all Franchisees, (a) pay promptly or ensure payment of all taxes and assessments when due, retain proof of such payment for review by PLK, and (b) ensure operation of the Franchised Restaurants in full compliance with all applicable Law, including those relating to occupational hazards, health, workers' compensation insurance, payment of taxes owed to any Authority, and/or Anti- Corruption Laws. Master Franchisee shall require Franchisees to register for all applicable taxes with the applicable Authority and stay registered for such taxes. Master Franchisee shall provide PLK with evidence of such tax registrations upon PLK's request.
- 2.6 Master Franchisee shall notify PLK in writing as soon as Master Franchisee learns of the commencement of any action, proceeding or suit, or the issuance of any order, writ, injunction, award or decree of any court, agency or other Authority, that might have a material adverse effect on the operation or financial condition of the Popeyes System in the Territory.

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- 2.7 Prior to entering into the first Franchise Agreement with a Franchisee in the Territory, Master Franchisee shall complete the commercial franchise filing with MOFCOM required for Master Franchisee to be a duly qualified and filed franchisor in the PRC and shall submit such first Franchise Agreement to MOFCOM within the time period specified by applicable Law. Thereafter, Master Franchisee shall comply with all applicable Laws necessary for the maintenance of its status as a duly qualified and filed franchisor in the PRC, including the timely submission of the annual reporting form through the Filing System of Commercial Franchises of MOFCOM. In addition, Master Franchisee shall comply with all franchising codes and any other Law applicable to the offering and sale of franchises in effect in the Territory as well as any and all other applicable Law (including personal data legislation). Master Franchisee shall ensure that all necessary consents are obtained to process personal data as contemplated under this Agreement in connection with the operations of Master Franchisee and its Affiliates. Under no circumstances will PLK or any of its Affiliates be liable for any act, omission, debt or other obligation of Master Franchisee or Affiliates thereof or any Franchisee or any Affiliates thereof.
- 2.8 Master Franchisee (a) has conducted such due diligence and investigation as it desires; (b) recognizes that the business venture described in this Agreement involves business and commercial risks; and (c) acknowledges that the success of such business venture is dependent upon Master Franchisee's performance of its obligations hereunder. PLK EXPRESSLY DISCLAIMS THE MAKING OF, AND MASTER FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED UPON, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL PERFORMANCE OR VIABILITY OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.
- 2.9 Master Franchisee acknowledges that it has received, read and understands this Agreement and the documents referred to herein and the Schedules and Exhibits to this Agreement. All such Schedules and Exhibits are deemed part of this Agreement. Master Franchisee also acknowledges that it has had ample time and opportunity to consult with its advisors concerning the potential benefits and risks of entering into this Agreement.
- 2.10 Master Franchisee may not, and will procure that its Affiliates will not, include any of the following words/expressions in its name without the prior written consent of PLK or its Affiliates: the initials "RBI", the words "Restaurant Brands", "Restaurant Brands International", "Popeyes", "Popeyes Louisiana Kitchen", the initials "PLK" or anything similar to or resembling the same in appearance, sound, or in any other way.
- 2.11 Master Franchisee hereby represents and warrants to PLK that this Agreement constitutes a valid and binding obligation of Master Franchisee, enforceable against it in accordance with the terms hereof. Master Franchisee further represents and warrants that neither the execution of this Agreement nor the performance by it of its obligations hereunder violate any provision of any applicable Law or results in a material breach or material default under any indenture, contract, commitment or restriction to which Master Franchisee or any of its Affiliates is a party or by which Master Franchisee or any of its Affiliates is bound. Master Franchisee further represents and warrants that no consent, approval, filing or authorization from any Authority is necessary or shall be obtained for the signature and performance by Master Franchisee of this Agreement, except as would not, or would not reasonably be expected to, individually or in the aggregate, materially impair or delay Master Franchisee's ability to perform its obligations hereunder. Master Franchisee further represents and warrants that it complies with the Anti-Corruption Laws as well as any other Law binding upon it intended to control, prohibit and/or penalize bribery, kickbacks, the giving of unlawful gratuities and benefits and other similar unlawful practices, no notice has been received by nor has any investigation commenced against it or any of its Affiliates related to breach of the Anti-Corruption Laws as in effect in the Territory and/or any other Law applicable to it intended to control, prohibit and/or penalize bribery, kickbacks, the giving of unlawful gratuities and benefits, and other similar unlawful practices under such Laws, and it is not currently subject to or in violation of any Export Control Laws or owned or Controlled in any manner by any Person that is subject to, or in violation of, any Export Control Laws.

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- 2.12 During the Term, PLK may request P&L Information, and Master Franchisee shall provide the requested information, in a format acceptable to PLK, within thirty (30) Days from receipt of such request.
- 2.13 Master Franchisee shall promptly notify PLK of any potential improvements or new features which it intends to use or identifies as capable of benefiting the Popeyes System. Master Franchisee agrees that all right, title and interest in and to such potential improvements or new features are hereby transferred to, vest in and remain the exclusive property of PLK on and from their creation, without payment by PLK, and PLK and/or its Affiliates may evaluate, modify and introduce any such potential improvements or new features into the Popeyes System for the benefit of PLK and other franchisees. Master Franchisee shall do all things and sign all documents necessary to give effect to this clause 2.13. PLK shall have no obligation to use the improvements or new features. Master Franchisee shall not use potential improvements or new features at any of the Direct-Owned Restaurants unless and until first approved by PLK.
- 2.14 After the third (3rd) anniversary of the A&R Effective Date, the members of the China Group shall be entitled to incur Debt (such borrowing, the “**China Group Debt**”) provided that (a) immediately after the incurrence of such Debt, the ratio of Net Debt to LTM EBITDA does not exceed 3.0 to 1.0 except and solely to the extent approved in writing by PLK, (b) the terms of such Debt are non-recourse to PLK or THRI (or any of their permitted successors and assigns), and (c) such Debt is not secured by a pledge, hypothecation, mortgage or other lien on the Equity Securities of any member of the China Group. The China Group shall use the proceeds of the China Group Debt to expand the business of the China Group, to finance the working capital needs of the China Group and for other corporate purposes consistent with such activities.
- 2.15 The Shareholder agrees that all shares of the Shareholder received by PLK in connection with the Combination and pursuant to that certain Share Purchase Agreement, dated as of March 30, 2023 (the “**SPA**”), by and among PLK, Investor and the Shareholder (including shares received as Aggregate Consideration (as defined in the SPA) and any additional shares of the Shareholder issued to PLK pursuant to Section 5.2 (*Unvested Shares*) of the SPA) shall be considered together with the shares of the Shareholder held by any of PLK’s Affiliates (including Tim Hortons Restaurants International GmbH (“**THRI**”)) for purposes of satisfying the threshold for THRI to remain entitled to nominate one director of the board of the Shareholder (the “**Shareholder Board**”) pursuant to that certain Amended and Restated Master Development Agreement, by and among THRI, the Shareholder and the other parties signatory thereto, dated as of August 13, 2021, as amended from time to time.
- 2.16 Without prejudice to PLK’s right in clause 2.15, the Shareholder will permit a person designated by PLK to attend all meetings of the Shareholder Board or any committee of the Shareholder Board as an observer, and the Shareholder Board (or the applicable committee) shall furnish to such observer, at the same time and in the same manner as furnished to the directors of the Shareholder Board or members of any applicable committee, notice of each such meeting, including such meeting’s time and place and any materials relevant to such meeting.

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2.17 The Shareholder undertakes and agrees to contribute an aggregate amount of sixty million United States Dollars (US\$60,000,000) (the “**Shareholder Equity Contribution**”), and the JVC acknowledges and agrees that on or prior to the A&R Effective Date it has already contributed an aggregate amount of thirty million United States Dollars (US\$30,000,000) (such US\$30,000,000 together with the Shareholder Equity Contribution, the “**Total Equity Contribution**”) into Master Franchisee to be used to fund the growth of the Popeyes business in the Territory and for no other purpose. The Shareholder Equity Contribution will be made in two (2) installments as follows: (a) thirty million United States Dollars (US\$30,000,000) on or before the first anniversary of the A&R Effective Date; and (b) an additional thirty million United States Dollars (US\$30,000,000) on or before the second anniversary of the A&R Effective Date. On or prior to the applicable payment date of each installment of the Shareholder Equity Contribution, the Shareholder shall provide evidence proving that such installment of the Shareholder Equity Contribution has been made in accordance with this clause 2.17. Failure to make any installment of the Shareholder Equity Contribution within thirty (30) days after such payment becomes due, or to provide evidence of payment of each installment of the Shareholder Equity Contribution within thirty (30) days after such payment becomes due (in each case, a “**Funding Breach**”) will be an Event of Default under this Agreement and cause for termination of this Agreement with immediate effect, and none of Master Franchisee, the JVC or the Shareholder will have any ability to cure. In the event of a Funding Breach, Master Franchisee, JVC and the Shareholder, on behalf of themselves and their respective Affiliates, successors and permitted assigns, (a) agree not to dispute the termination of this Agreement or the Development Rights due to a Funding Breach, (b) knowingly and voluntarily waive and relinquish all Claims against PLK and its Affiliates purportedly arising from or in connection with PLK’s termination of this Agreement or the Development Rights as a result of the Funding Breach, and (c) release and fully discharge PLK and its Affiliates from any liability of any kind arising out of or related to the termination of this Agreement or the Development Rights as a result of the Funding Breach.

### 3 PLK

- 3.1 PLK hereby represents and warrants that this Agreement constitutes a valid and binding obligation of PLK, enforceable against it in accordance with the terms hereof. Except for MOFCOM Approval, no consent, approval, filing or authorization from any Authority is necessary or shall be obtained for the signature and performance by PLK of this Agreement, except as would not, or would not reasonably be expected to, individually or in the aggregate, materially impair or delay the ability of it to perform its obligations hereunder.
- 3.2 PLK represents and warrants as of the date hereof that (a) to PLK’s actual knowledge, there are no pending or threatened Claims against PLK relating to the grant of rights to develop Popeyes brand restaurants in the Territory; and (b) except for the Interim FA, no other Person has the right to develop and operate, or license to another Person the right to develop and operate, Popeyes brand restaurants in the Territory.
- 3.3 PLK shall comply in all material respects with all material applicable Laws necessary for the maintenance of its status as a duly qualified and filed franchisor in the PRC, including the timely submission of the annual reporting form through the Filing System of Commercial Franchises of MOFCOM.

### 4 GRANT

- 4.1 PLK hereby grants to Master Franchisee the exclusive right, except for the Interim FA, subject to the limitations set out in this Agreement, and Master Franchisee hereby accepts the obligation, pursuant to the terms and conditions of this Agreement, to (together, the “**Development Rights**”):
- 4.1.1 Develop, establish, own and operate Direct-Owned Restaurants in the Territory, subject to the terms of this Agreement and the Company Franchise Agreement;



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- 4.1.2 License to Franchisees the right to develop, establish, own and operate Franchised Restaurants in the Territory (which license does not include the right to license Franchisees to grant sublicenses for Restaurants in the Territory), subject to the terms of this Agreement and the Franchise Agreements;
  - 4.1.3 Use and permit Franchisees to use (subject to the terms of this Agreement, the Company Franchise Agreement and the Franchise Agreements) the Popeyes Marks and the Popeyes System in its capacity as Master Franchisee or Franchisee in the Territory, as the case may be, in order to engage in the activities described above; and
  - 4.1.4 Enter into exclusive or non-exclusive development agreements with Franchisees in the Territory (the “**Territory Development Agreements**”), provided that such Territory Development Agreements provide for their termination in accordance with clause 18.4.4 upon the occurrence of an MDA Termination Event and provided further that no Territory Development Agreement shall provide for the grant of any rights that are inconsistent with the terms and conditions of this Agreement.
- 4.2 For purposes of this Agreement and the grant of the Development Rights, operations at a Popeyes Restaurant include dine-in, take-out, delivery and catering from a Popeyes Restaurant, provided that, in the case of delivery and catering, PLK has approved the Delivery Requirements in its sole discretion. Accordingly, subject to the provisions of clause 4.8, Master Franchisee and its Franchisees will have the right to conduct delivery and catering operations and services at or from each Popeyes Restaurants during the Term of this Agreement, the Company Franchise Agreement, or any Franchise Agreement, as applicable.
- 4.3 By no later than nine (9) months after the A&R Effective Date, and in any event prior to the opening of the first Direct-Owned Restaurant pursuant to this Agreement, PLK, Master Franchisee and an Approved Subsidiary will enter into the PRC Company Franchise Agreement, which agreement shall further define the rights and obligations of Master Franchisee and the Approved Subsidiaries, in establishing, owning and operating Direct- Owned Restaurants. Upon formation of a new Approved Subsidiary, Master Franchisee and the Approved Subsidiary will execute the Joinder Agreement and deliver a copy of such agreement to PLK. Prior to the opening of the first Direct-Owned Restaurant, Master Franchisee and an Approved Subsidiary will execute and deliver to PLK the PRC Company Franchise Agreement, and prior to the opening of each Direct-Owned Restaurant, Master Franchisee or the applicable Approved Subsidiary will execute and deliver to PLK a Unit Addendum for such Direct-Owned Restaurant.
- 4.4 PLK, on behalf of itself, its Affiliates and its designees, reserves all rights not expressly granted to Master Franchisee under this Agreement, and Master Franchisee hereby accepts and acknowledges such reserved rights of PLK, its Affiliates and designees. Accordingly, except as described below, nothing in this Agreement or at Law shall prevent PLK, its Affiliates, designees and licensees or any other Person from one or all of the following: (a) operating or granting to any Person a franchise or license to operate Popeyes Restaurants outside the Territory, (b) operating or granting to any Person a franchise or license to operate, in or outside the Territory, a restaurant business using one or more of the other brands and franchise systems or trademarks now or hereafter owned or licensed by PLK or any Affiliate of PLK (the “**Other Brands**”), regardless of whether such business is in competition with the Popeyes System or its menu items or located in close proximity to any Restaurant; or (c) subject to clause 4.6, distributing, selling or offering or granting to any Person the right to distribute, sell or offer, in the Territory, menu or other items or services which are the same as or similar to Popeyes menu items, using the Popeyes System and the Popeyes Marks through Other Distribution Channels, whether located in close proximity to any Restaurant or otherwise, of a temporary or permanent nature; provided, however, that such distribution, sale or offering through Other Distribution Channels shall not include the distribution, sale or offering of such item by means of sales or distribution at a Popeyes Restaurant or by catering or delivery from a Popeyes Restaurant anywhere in the Territory, which the Parties acknowledge and agree are reserved to Master Franchisee and its Franchisees, subject to clause 4.7.

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- 4.5 The Development Rights will not apply with respect to PLK's global and regional operation and promotion of the Popeyes System, including (a) any global and/or regional activities of PLK and/or its Affiliates such as global and/or regional marketing and promotional campaigns, public relations or other activities of PLK and/or its Affiliates relating to the Popeyes System globally and/or regionally (including any programs pursuant to which any gift cards are provided to guests in the Territory); or (b) any global and/or regional Internet-related activity of PLK and/or its Affiliates or global and/or regional internet activities of a third party authorized by PLK (collectively, the "**Exclusivity Exclusions**"). Master Franchisee acknowledges and agrees that in connection with the Exclusivity Exclusions set forth above, PLK may authorize third party vendors, contractors, suppliers and promotional parties to use elements of the Popeyes System, including the Popeyes Marks, Popeyes Domain Names and Popeyes Intellectual Property Rights, in connection with the global and/or regional activities of PLK and/or its Affiliates and that such use may include the Territory. Nothing herein shall prevent PLK from appropriately responding to any consumer, governmental body, regulatory body and/or other matters relating to the Popeyes System in the Territory where PLK is required to do so by Law and/or to otherwise appropriately manage PLK's brand reputation. For the avoidance of doubt, use of the term regional or regionally in this clause 4.4 shall refer to the Region of which the Territory is a part but shall not refer exclusively to the Territory.
- 4.6 During the Term, if PLK, in its sole discretion, elects to distribute or sell Approved Products using the Popeyes System and the Popeyes Marks in the Territory through any designated Retail Distribution Channel (a "**Retail Opportunity**"), PLK will first approach Master Franchisee by providing Master Franchisee with a written notice containing the proposed terms of the Retail Opportunity (the "**Retail Opportunity Notice**"). For a period of up to ninety (90) Days after the date that Master Franchisee receives the Retail Opportunity Notice, Master Franchisee and PLK shall enter into discussions regarding the Retail Opportunity, it being understood that PLK shall not be obligated to enter into the Retail Opportunity with Master Franchisee. If the Parties fail to enter into a written agreement with respect to the terms of the Retail Opportunity within the ninety (90) Day period, (a) PLK may cease all discussions with Master Franchisee regarding the Retail Opportunity, and (b) PLK or an Affiliate of PLK may immediately enter into the Retail Opportunity either on its own or with any other party or parties.
- 4.7 Master Franchisee may at any time request to exercise its right to distribute, sell or offer Approved Products in the Territory through a Delivery Program. PLK agrees to work with Master Franchisee to develop the Delivery Requirements for implementing a Delivery Program in the Territory and, once such Delivery Requirements are approved by PLK, in its sole discretion, Master Franchisee may sell Approved Products in the Territory through such Delivery Program in compliance with such Delivery Requirements. Master Franchisee agrees not to implement a Delivery Program until PLK has approved, in its sole discretion, the Delivery Requirements applicable to such Delivery Program.
- 4.8 While the Development Rights are in effect, PLK will not itself operate, or franchise, license or authorize any Person other than Master Franchisee to operate, Restaurants in the Territory.

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- 4.9 The Parties agree that in the event of conflict or confusion as to the exact boundaries of the Territory, the description of the boundaries in, and the map attached to, Schedule 3 will prevail.
- 4.10 PLK may, in its sole discretion, grant a license to develop, establish, own, open and operate Popeyes Restaurants in the Special Administrative Region of Hong Kong (the “**HK Development Rights**”), subject to the following right of first offer which shall be available to Master Franchisee on the terms and conditions contained in this clause 4.10.
- 4.10.1 PLK shall not grant the HK Development Rights to any Person unless and until PLK shall have first offered the HK Development Rights to Master Franchisee in accordance with this clause 4.10 (the “**Right of First Offer**”); provided, that (a) the Development Rights remain in effect from the date hereof through the Offer Date (as defined below), (b) Master Franchisee is in compliance with the Cumulative Opening Targets as set forth in the Development Schedule as of the Offer Date, (c) there has not been an uncured Event of Default at any time during the one (1) year period prior to the Offer Date, and (d) the results of updated background checks conducted at PLK’s request and at Master Franchisee’s sole expense by a service provider acceptable to PLK on Master Franchisee, Principal and their respective shareholders (collectively, the “**Relevant Persons**” and, individually, a “**Relevant Person**”) must be satisfactory to PLK, in its sole discretion.
- 4.10.2 If PLK desires to grant the HK Development Rights to any Person, PLK will deliver written notice thereof to Master Franchisee (the “**Offer Notice**”). The date of the Offer Notice is referred to as the “**Offer Date**”.
- 4.10.3 Master Franchisee shall have a period of ten (10) days following the Offer Date (the “**First Deadline**”) to inform PLK in writing of its interest in the HK Development Rights (the “**Interest Notice**”). PLK and Master Franchisee shall then negotiate, on an exclusive basis, for a period of up to thirty (30) days from the date of the Interest Notice (the “**Second Deadline**”), the financial and other material terms upon which Master Franchisee would offer PLK to acquire the HK Development Rights. On or prior to the Second Deadline, Master Franchisee will present a binding written offer to PLK (the “**Proposal**”) for the acquisition of the HK Development Rights. The Proposal shall set forth the financial and other material terms and conditions for the HK Development Rights, including the proposal development plan.
- 4.10.4 The failure by Master Franchisee (a) to provide an Interest Notice by the First Deadline or (b) submit a Proposal by the Second Deadline shall each be deemed an irrevocable waiver by Master Franchisee of the Right of First Offer, and PLK and/or any of its Affiliates may grant all or any portion of the HK Development Rights to any Person on any terms and conditions whatsoever.
- 4.10.5 PLK shall have the unrestricted right to reject any Proposal, in its sole discretion. If PLK elects, in its sole discretion, to grant the HK Development Rights (or any portion thereof) to Master Franchisee following receipt of the Proposal, the Proposal, as may be modified by Master Franchisee and PLK through their negotiations will become binding and enforceable on Master Franchisee (the “**Final Proposal**”), and the relevant parties will use commercially reasonable efforts to enter into final and binding agreements incorporating the commercial terms set forth in the Final Proposal (the “**Definitive Agreements**”) within forty-five (45) Days of the date of the Final Proposal (the “**Third Deadline**”).

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- 4.10.6 If (a) PLK elects, in its sole discretion, not to grant the HK Development Rights following receipt of the Proposal, or (b) the relevant parties fail to enter into Definitive Agreements by the Third Deadline, PLK and/or its Affiliates may grant all or any portion of the HK Development Rights (on either an exclusive or non-exclusive basis) to any Person on terms no less favorable to PLK than the commercial terms set forth in the Proposal or the Final Proposal, as applicable.
- 4.10.7 For the avoidance of doubt, if Master Franchisee has not been in compliance with the Development Schedule at all times prior to the signing of the Definitive Agreements, PLK shall have no obligation to comply with the foregoing Right of First Offer.
- 4.10.8 Master Franchisee acknowledges and agrees that PLK is under no obligation to grant to Master Franchisee or any Affiliate thereof the HK Development Rights and such decision will be made by PLK in its sole discretion.

## 5 DURATION

- 5.1 The initial term of this Agreement shall be for a period of twenty (20) years commencing on the Original Commencement Date, subject to earlier termination in accordance with the terms of this Agreement (the “**Initial Term**”). Master Franchisee shall have the option to extend the Initial Term for ten (10) years, subject to earlier termination in accordance with the terms of this Agreement (the “**Extension Period**”, and together with the Initial Term, the “**Term**”), provided that:
  - 5.1.1 Master Franchisee has given PLK and/or its Affiliates written notice of its intention to exercise its option to extend this Agreement no later than the first Day of Development Year 19 (the “**Extension Notice**”);
  - 5.1.2 Master Franchisee has, as determined on the date of the Extension Notice and the last Day of the Initial Term, fully complied with the applicable Targets set forth in the Development Schedule;
  - 5.1.3 there has been no uncured Event of Default during the one (1) year period prior to the date of the Extension Notice or during the period commencing on the date of the Extension Notice and ending on the last Day of the Initial Term;
  - 5.1.4 there has been no uncured default (for which Master Franchisee received a formal notice of default) under the Company Franchise Agreement or any Unit Addendum during the one (1) year period prior to the date of the Extension Notice and during the period commencing on the date of the Extension Notice and ending on the last Day of the Initial Term;
  - 5.1.5 Master Franchisee, on behalf of itself and its Affiliates, executes a general release in favor of PLK and its Affiliates, in form and substance acceptable to PLK.

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If all of the foregoing conditions are not satisfied, this Agreement shall expire at the end of the Initial Term.

## **6 DEVELOPMENT OBLIGATIONS**

- 6.1 Master Franchisee shall (a) develop and open for business (and keep open to the extent required hereby), and (b) license Franchisees to develop and open for business (and keep open to the extent required hereby) a minimum number of new Popeyes Restaurants within the Territory in strict compliance with the Development Schedule, and such new Restaurants may be either Direct-Owned Restaurants or Franchised Restaurants; provided, however, that for each Development Year, the aggregate number of Direct-Owned Restaurants shall be at least sixty percent (60%) of the total number of Popeyes Restaurants open and operating in the Territory on a cumulative basis (rounded up to the nearest whole number), as determined on the last Day of such Development Year (the “**Direct-Owned Restaurant Limitation**”).
- 6.2 For the avoidance of doubt, any Franchised Restaurants purchased or otherwise acquired by Master Franchisee or any of its Affiliates (the “**Acquired Restaurants**”) shall not be included for purposes of determining Master Franchisee’s compliance with the Targets set forth in the Development Schedule; provided, however, that such Acquired Restaurants shall be counted as Direct-Owned Restaurants for purposes of satisfying the Direct-Owned Restaurant Limitation.
- 6.3 All of the Targets set forth in the Development Schedule are net of closures, without distinction as to the reason for such closure (expiration, early termination, [\*\*\*\*] or otherwise), and without distinction between closures of Direct-Owned Restaurants or Franchised Restaurants.
- 6.4 Master Franchisee may develop Restaurants at a faster rate than as set out in the Development Schedule. Any Restaurants developed faster than as provided for in the Development Schedule shall be included in determining Master Franchisee’s compliance with the Development Schedule and shall carry forward to be used in calculating the satisfaction of the next Development Year’s Target.
- 6.5 Master Franchisee will not develop any Restaurant in a Co-Branded Location without the prior written consent of PLK.
- 6.6 Except as set forth in clause 6.7, if Master Franchisee desires to close a Direct-Owned Restaurant prior to the expiration of the term of the applicable Unit Addendum, Master Franchisee will provide written notice to PLK at least ninety (90) Days prior to the proposed closure date setting out the reasons for the closure of the Direct-Owned Restaurant and documentary evidence supporting any reasons cited in support of closure (the “**Early Closure Request**”). PLK may either approve or disapprove an Early Closure Request in its reasonable discretion. PLK will respond in writing within thirty (30) Days as to whether it approves or disapproves the Early Closure Request and, if PLK decides, in its reasonable discretion, to disapprove the Early Closure Request, PLK will specify a reason therefor. If PLK requests further information or documents in relation to the Early Closure Request, Master Franchisee will provide such further information or documents to PLK within a reasonable period, and PLK will render its decision within thirty (30) Days of receipt from Master Franchisee of such further information or documents. If PLK does not respond to an Early Closure Request within the thirty (30) Day period, the Early Closure Request shall be deemed to be denied.

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- 6.7 Notwithstanding the foregoing (but subject to clause 6.3), Master Franchisee may close (a) up to ten (10) Direct-Owned Restaurants during each Development Year of the Term (each, a “**Permitted Closure Restaurant**”), [\*\*\*\*] without PLK’s consent and without penalty or other payment to PLK, except for amounts due and payable to PLK prior to the closing date of the Permitted Closure Restaurant [\*\*\*\*]. Upon the occurrence of an MDA Termination Event, Master Franchisee’s right to close Direct-Owned Restaurants in the Territory pursuant to this clause 6.7 will automatically terminate. Master Franchisee has the sole discretion to determine which Direct-Owned Restaurants are designated as Permitted Closure Restaurants [\*\*\*\*]. For the avoidance of doubt, if PLK approves the closure of a Direct-Owned Restaurant pursuant to clause 6.6, such Direct-Owned Restaurant shall not be counted as a Permitted Closure Restaurant for purposes of this clause 6.7; provided, however, that the closure of such Direct-Owned Restaurant will not modify or extend any of the Targets, and Master Franchisee will replace any such Direct-Owned Restaurant by the end of the Development Year in which such Direct-Owned Restaurant was closed.
- 6.8 If Master Franchisee fails to achieve the Target specified in the Development Schedule for any Development Year commencing with Development Year 3 (a “**Development Default**”) on or before the last Day of such Development Year (a “**Shortfall Year**”), Master Franchisee will have until the expiration of the Development Cure Period to achieve the Target for the Shortfall Year. If Master Franchisee fails to achieve the Target for the Shortfall Year by the expiration of the Development Cure Period, then, in addition to any other legal rights and remedies available to PLK set out in this Agreement or at Law, PLK may, in its sole discretion, terminate the Development Rights or terminate this Agreement in its entirety. PLK will not be required to provide any notice (whether oral or written) to Master Franchisee of a Development Default or the commencement of the Development Cure Period. For the avoidance of doubt, if a Restaurant is counted for purposes of determining Master Franchisee’s compliance with the applicable Annual Opening Target or Extension Period Target, if applicable, for a Shortfall Year, it will not be counted for purposes of determining compliance with the applicable Annual Opening Target or Extension Period Target for the Development Year in which the Restaurant actually opened.
- 6.9 Notwithstanding the foregoing, provided that it has complied with all of the provisions of this clause 6, Master Franchisee shall not be deemed to be in breach of the Development Schedule if its failure to perform its obligations as set out in the Development Schedule results from any of the following events, which must have a continuous impact on any of the major metropolitan areas centered on or around Shanghai, Beijing or Shenzhen for a period of two (2) months or more, and make it impossible or commercially impracticable to achieve any of the Targets by the applicable deadlines set forth in the Development Schedule (a “**Force Majeure Event**”):
- 6.9.1 compliance with any Law, ruling, order, regulation, requirement, instruction of any Authority or governmentally imposed moratorium that prohibits such performance;

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6.9.2 acts of God, earthquake, blizzard or flood; or

6.9.3 fires, strikes, actions of labor unions, embargoes, technological disaster, war, riot or terrorist acts, release of nuclear radiation or bio-toxic or bio-chemical agents.

Any delay in Master Franchisee's performance of its obligations set out in the Development Schedule resulting from any of these Force Majeure Events will extend performance or excuse performance, in whole or in part, as reasonably determined by PLK according to the circumstances, but shall not in any event extend performance by more than one (1) Development Year. Notwithstanding the foregoing, no Force Majeure Event will relieve or suspend any payment obligation of Master Franchisee, and currency restrictions, fluctuations or devaluations will not be deemed to be Force Majeure Events.

6.10 Upon the occurrence of a Force Majeure Event, Master Franchisee shall comply with the following:

6.10.1 it shall promptly notify PLK in writing of the nature and extent of the Force Majeure Event causing its failure or delay in performance; and

6.10.2 it shall use all commercially reasonable efforts to mitigate the effect of the Force Majeure Event to carry out its obligations under the Development Schedule in any way that is reasonably practicable and to resume the performance of its obligations as soon as reasonably possible.

## **7 DEVELOPMENT PROCEDURES FOR DIRECT-OWNED RESTAURANTS**

7.1 This Agreement is not a franchise for the operation of Popeyes Restaurants. The terms and conditions applicable to Master Franchisee for the operation of each Direct-Owned Restaurant are set forth in the Company Franchise Agreement and Unit Addendum for such Direct-Owned Restaurant, and the terms and conditions applicable to Franchisees for the operation of each Franchised Restaurant are set forth in the Franchise Agreement for such Franchised Restaurant.

7.2 Until the occurrence of an MDA Termination Event, Master Franchisee will not be required to obtain PLK's prior written approval for the development of any potential site in the Territory ("**Site Approval**"). After the occurrence of an MDA Termination Event, Master Franchisee shall have no further right or entitlement to develop and establish Direct-Owned Restaurants in the Territory, or to license to Franchisees the right to establish and operate Franchised Restaurants in the Territory, without first receiving Site Approval from PLK, which PLK may withhold in its sole discretion. If, after the occurrence of an MDA Termination Event, Master Franchisee enters into any legally binding commitment with vendors or lessors of a potential site before PLK has granted Site Approval, then Master Franchisee shall bear the entire risk of loss or damage resulting from a subsequent decision of PLK not to give Site Approval.

7.3 The following requirements relating to site acquisition and construction of Direct-Owned Restaurants shall apply throughout the Term:

7.3.1 For each Direct-Owned Restaurant, Master Franchisee shall provide PLK, prior to filing for permit applications with the relevant Authorities to construct the Direct-Owned Restaurant, with the following detailed information regarding the proposed site and the market around the site in a format prescribed by PLK: (i) profit and loss projections for five (5) years, (ii) capital expense breakdown, (iii) trade area information, including information regarding customers, (iv) interior and exterior renderings of the proposed site, complete with signage, (v) aerial maps of the proposed site and pictures of the main access point for the direction of the traffic flow, if applicable, and (vi) to the extent available, such other information as PLK may from time to time reasonably request in electronic format or any other formats prescribed by PLK from time to time (the "**Site Information**").

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- 7.3.2 Master Franchisee shall notify PLK when a Direct-Owned Restaurant is under construction so that PLK can issue the unique identifier for the Direct-Owned Restaurant.
- 7.3.3 Master Franchisee assumes all cost, liability, expense and responsibility in procuring the location, acquisition and development of sites and the construction of Direct-Owned Restaurants. Master Franchisee shall provide copies of all documents related to title and possession of each site at PLK's request.
- 7.3.4 All Direct-Owned Restaurants shall be constructed, equipped and furnished in accordance with plans and specifications in compliance with Approved Plans and Specifications. These plans and specifications shall include the architectural design of the building, style, size and interior décor and colour schemes, internal and external signage as well as the proposed kitchen layout, service format and equipment. If, and to the extent that, Master Franchisee requires architectural and engineering services, it will contract for those services independently at its own expense and obtain all necessary approvals and permissions from the relevant Authority for such purposes.
- 7.4 Master Franchisee agrees that PLK is not and shall not be deemed to be making, and no Affiliate of PLK or any Person on behalf of PLK is or shall be deemed to be making, any representation or warranty relating directly or indirectly to the success or viability of, or any other matter relating to, a Direct-Owned Restaurant, and any such representation or warranty is hereby expressly excluded, including in the event that PLK has granted Site Approval or provided Approved Plans and Specifications or of any other matter relating to the development of the Direct-Owned Restaurant. No reliance shall be placed by Master Franchisee or any of its Affiliates on any warranty, representation or advice that may be given by any Person by or on behalf of PLK and/or its Affiliates unless such representation, warranty or advice is expressly given in writing by PLK.
- 7.5 PLK shall have the right to require Master Franchisee to use commercially reasonable efforts to have the landlord of any Direct-Owned Restaurant include any or all of the following provisions in the lease or purchase agreement, which will:
  - 7.5.1 Allow Master Franchisee and PLK the right to elect to assign the leasehold interest and the lease contract to PLK or an Affiliate or a franchisee of PLK and/or Master Franchisee, in each case, without landlord consent or any increase in rent or change in any other material term; and
  - 7.5.2 in case of lease of the site, require the lessor to provide PLK with a copy of any notice of deficiency under the lease sent to Master Franchisee, at the same time as such notice is sent to Master Franchisee (as the lessee under the lease), and which grants PLK the right (but not the obligation) to cure any of Master Franchisee's deficiencies under the lease within fifteen (15) business Days after the expiration of the period in which Master Franchisee has to cure any such default, should Master Franchisee fail to do so.



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## **8 GRANT OF FRANCHISE FOR DIRECT-OWNED RESTAURANTS**

8.1 Direct-Owned Restaurants. Upon fulfilment of the following conditions precedent in relation to each proposed Direct-Owned Restaurant, PLK shall grant Master Franchisee or the relevant Approved Subsidiary, as applicable, a license to operate the relevant Direct-Owned Restaurant on the terms set out in the Company Franchise Agreement and Unit Addendum for the relevant Direct-Owned Restaurant:

- 8.1.1 completion of the construction and fitting out of the Direct-Owned Restaurant in accordance with PLK's then current Approved Plans and Specifications;
- 8.1.2 delivery to PLK of a Notice of Completion at least ten (10) Days prior to the scheduled opening date of the Direct-Owned Restaurant, which Notice of Completion will identify the operator of the Direct-Owned Restaurant;
- 8.1.3 payment to PLK or its designee of the applicable Direct-Owned Restaurant Unit Fee required in respect of the Direct-Owned Restaurant to be opened as specified in clause 8.5 below;
- 8.1.4 Master Franchisee having provided PLK with a fully executed Joinder Agreement (if the operator of the Direct-Owned Restaurant is a new Approved Subsidiary) at least thirty (30) Days prior to the scheduled opening date of the Direct-Owned Restaurant;
- 8.1.5 Master Franchisee having provided PLK with at least two (2) original counterparts of the Unit Addendum for the Direct-Owned Restaurant executed by Master Franchisee or the Approved Subsidiary, such counterparts to be delivered to PLK at least thirty (30) Days prior to the scheduled opening date of the Direct-Owned Restaurant;
- 8.1.6 evidence, satisfactory to PLK in its sole discretion of compliance in all material respects by Master Franchisee with the requirements of this Agreement and the Company Franchise Agreement;
- 8.1.7 evidence of property control, reasonably satisfactory to PLK, for the Unit Addendum Term (defined below); and
- 8.1.8 Master Franchisee or the Approved Subsidiary having obtained and continuing to hold all relevant approvals, permits and licenses required by applicable Law to operate the Direct-Owned Restaurant.

In addition, by not later than the later to occur of (i) the first (1st) Business Day of the month following the month in which a Direct-Owned Restaurant was opened or (ii) five (5) Business Days following the date on which a Direct-Owned Restaurant was opened, Master Franchisee will provide PLK with a written communication advising of the date that the Direct-Owned Restaurant opened for business, together with digital photographs (geotagged with the location of the Direct-Owned Restaurant) of the interior and exterior of the Direct-Owned Restaurant, showing that such Direct-Owned Restaurant is open and serving guests and that the kitchen is stocked with food and supplies adequate to serve such guests. Additionally Master Franchisee will comply with all requirements established by PLK from time to time to evidence the opening of new Direct-Owned Restaurants in the Territory.

8.2 Acquired Restaurants. Upon the purchase of an Acquired Restaurant by Master Franchisee or an Approved Subsidiary, PLK, Master Franchisee or the Approved Subsidiary and the applicable Franchisee will enter into an agreement to terminate the Franchise Agreement for such Acquired Restaurants in a form to be provided by PLK, and Master Franchisee will provide to PLK at least two (2) original counterparts of the Unit Addendum for the Acquired Restaurant executed by Master Franchisee or the Approved Subsidiary, such counterparts to be delivered to PLK on the acquisition date of the Acquired Restaurant.

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- 8.3 Unit Addendum. Until the Unit Addendum has been executed and delivered to PLK pursuant to clause 8.1.5 for a particular Direct-Owned Restaurant and the applicable Direct-Owned Restaurant Unit Fee has been paid, the proposed Direct-Owned Restaurant shall not open for business.
- 8.4 Unit Addendum Term. The term of each Unit Addendum will be up to twenty (20) years from the commencement date of the Unit Addendum (the “**Unit Addendum Term**”), with a minimum term of five (5) years (subject to renewal in accordance with clause 2.5 of the Company Franchise Agreement). The Unit Addendum Term for an Acquired Restaurant will be the remaining term of the relevant Franchise Agreement for such Acquired Restaurant.
- 8.5 Direct-Owned Restaurant Unit Fee. During the Term, Master Franchisee will pay the following fee to PLK or its designee for the opening of each Direct-Owned Restaurant: (a) [\*\*\*\*] for each Direct-Owned Restaurant opened during Development Year 1, Development Year 2 and Development Year 3, and (b) [\*\*\*\*] for each Direct-Owned Restaurant opened during Development Year 4 and at any time thereafter (the “**Direct-Owned Restaurant Unit Fee**”), each for a twenty (20) year term (which amount will be prorated if the term of the applicable Unit Addendum is less than twenty (20) years). The Direct-Owned Restaurant Unit Fee will be due and payable no later than five (5) Days after receipt of an invoice from PLK and/or an Affiliate or five (5) Days after the opening of the Direct-Owned Restaurant, whichever is earlier. Upon the renewal of any Unit Addendum of a Direct-Owned Restaurant in accordance with the terms of the Company Franchise Agreement, Master Franchisee will pay the Renewal Fee to PLK or its designee prior to the expiration of the Unit Addendum for the applicable Direct-Owned Restaurant.
- 8.6 Direct-Owned Restaurant Fee Credit. While the Development Rights are in effect, Master Franchisee will be entitled to receive a credit in the amount of the unused portion of the Direct-Owned Restaurant Unit Fee paid for a Permitted Closure Restaurant previously operated by Master Franchisee (the “**Direct-Owned Restaurant Fee Credit**”). The Direct-Owned Restaurant Fee Credit will be applied to the applicable Direct-Owned Restaurant Unit Fee charged in connection with the next Direct-Owned Restaurant opened by Master Franchisee located in the province, autonomous region or direct-controlled municipality in which the Permitted Closure Restaurant was located (the “**Replacement Restaurant**”); provided, however, that if Master Franchisee fails to open a Direct-Owned Restaurant located in such province, autonomous region or direct-controlled municipality within a period of eighteen (18) months after the closure of the Permitted Closure Restaurant, Master Franchisee will have no right to receive the Direct-Owned Restaurant Fee Credit and, in the event Master Franchisee opens a Direct-Owned Restaurant located in such province, autonomous region or direct-controlled municipality after the expiration of the 18-month period, Master Franchisee will pay the full amount of the applicable Direct-Owned Restaurant Unit Fee in connection therewith. The Direct-Owned Restaurant Fee Credit will be calculated on a pro rata basis as follows: the Direct-Owned Restaurant Unit Fee originally paid by Master Franchisee for the Permitted Closure Restaurant divided by the number of years of the Unit Addendum Term for the Permitted Closure Restaurant, multiplied by the full period remaining in the term of the Permitted Closure Restaurant. The result is subtracted from the Direct-Owned Restaurant Unit Fee (as set forth above) to arrive at the Direct-Owned Restaurant Unit Fee for the Replacement Restaurant. For the avoidance of doubt, the Direct-Owned Restaurant Fee Credit will not be available to Master Franchisee after the occurrence of an MDA Termination Event. By way of illustration only, if the Direct-Owned Restaurant Unit Fee was [\*\*\*], the initial term was 20 years, and the Permitted Closure Restaurant closed at the end of the second year of the term, the Direct-Owned Restaurant Fee Credit would be [\*\*\*] ÷ 20, and that amount ([\*\*\*]) would be multiplied by 18 (the unused portion of the term), to obtain a Direct-Owned Restaurant Fee Credit of [\*\*\*]. If the next Direct-Owned Restaurant required a Direct-Owned Restaurant Unit Fee of [\*\*\*], Master Franchisee would receive a credit of [\*\*\*] and would be obligated to pay [\*\*\*].

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8.7 Royalty.

- 8.7.1 During the Term, Master Franchisee will pay a monthly fee (the “**Royalty Fee**”) for each Direct-Owned Restaurant to PLK or its designee as follows: [\*\*\*\*]
- 8.7.2 During the Unit Addendum Term for each Acquired Restaurant, the Royalty Fee due in respect of such Acquired Restaurant will be the Royalty Fee set forth in the relevant Franchise Agreement for such Acquired Restaurant.
- 8.7.3 Master Franchisee will pay the Royalty Fee due in respect of each Direct-Owned Restaurant to PLK or its designee by no later than the tenth (10<sup>th</sup>) day of each month for the entire Unit Addendum Term (and any renewal term, if applicable) based on Gross Sales for the preceding month in accordance with the Company Franchise Agreement.
- 8.7.4 In the event that applicable Law requires the calculation of the Royalty Fee payable pursuant to this clause 8.7 to be based on any figure other than monthly Gross Sales, which calculation results in a sum payable to PLK which is less than what would have been payable had the Royalty Fee been calculated based on monthly Gross Sales, then Master Franchisee undertakes and agrees to pay such difference from its global assets and bank accounts so that the final amount paid to PLK amounts to the Royalty Fee calculated based on monthly Gross Sales.

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8.8 Advertising Contribution.

- 8.8.1 During the Term, Master Franchisee will pay an Advertising Contribution in respect of each Direct-Owned Restaurant calculated by multiplying the monthly Gross Sales at the Direct-Owned Restaurant by five percent (5.0%) for the entire Unit Addendum Term (and any renewal term, if applicable), subject to clause 11.
- 8.8.2 During the Term, the Advertising Contribution for Direct-Owned Restaurants will be contributed by no later than the tenth (10<sup>th</sup>) day of each month to the Advertising Fund to be managed by Master Franchisee, subject to clause 11 of this Agreement.

**9 GRANT OF FRANCHISE FOR FRANCHISED RESTAURANTS**

- 9.1 General. The Development Rights include the right during the Term for Master Franchisee to enter into Franchise Agreements with Franchisees for the operation of Franchised Restaurants in the Territory. Master Franchisee will provide the Services to Franchisees and Franchised Restaurants in the Territory in strict compliance with the terms of this Agreement. Master Franchisee shall use commercially reasonable efforts to ensure compliance by Franchisees with the Popeyes System in the Territory and enforce all of the obligations of Franchisees as set forth in the Franchise Agreements. Except as set forth in this Agreement, Master Franchisee shall not charge any fees or other amounts to Franchisees without the prior written consent of PLK.
- 9.2 Approval of Franchisees and Franchise Agreements. Master Franchisee will utilize PLK's guidelines for approving Franchisees. In addition, Master Franchisee will, at its sole cost and expense procure mandatory Level 2 Background Checks conducted by the Background Check Provider on each proposed Franchisee and all principals and shareholders thereof, and provide copies of the background checks to PLK for review. Master Franchisee will not enter into a Franchise Agreement with any proposed Franchisee if the results of the background check reveal, in PLK's sole judgment, that the proposed Franchisee or any of the principals or shareholders thereof is (i) a Competitor, (ii) a Person that directly or indirectly provides marketing, advertising, training, monitoring, development, reporting and/or collection or similar services to a Competitor; (iii) a Person which acts as a franchisee or master franchisee for any Competitor, or (iv) a Prohibited Person, as determined in PLK's sole judgment based on the background check and any follow-up or additional diligence, if any, required by PLK based on the background check. In addition, Master Franchisee will not enter into a Franchise Agreement with any current or former RBI Franchisee without the prior written consent of PLK. The failure to comply with this provision is a material default under this Agreement.
  - 9.2.1 Franchisees who desire to open Franchised Restaurants will enter into a Franchise Agreement with Master Franchisee for each Franchised Restaurant opened in the Territory during the Term. If Master Franchisee desires to sell, transfer or otherwise dispose of a Direct-Owned Restaurant to a Franchisee, then PLK and Master Franchisee will terminate the Unit Addendum with respect to such Direct-Owned Restaurant prior to Master Franchisee entering into a Franchise Agreement with respect to such Restaurant.
  - 9.2.2 The term of each Franchise Agreement will be up to twenty (20) years from the date on which such Franchise Agreement is signed, as determined by Master Franchisee, in its sole discretion, with a minimum term of five (5) years and with one (1) option to renew for ten (10) years on the condition that Master Franchisee will consult with PLK before such renewal.

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- 9.2.3 Master Franchisee will provide PLK with the Site Information for each proposed Franchised Restaurant within ten (10) Days after receipt of same from the relevant Franchisee.
- 9.2.4 Master Franchisee will provide PLK with written notice of the opening of a Franchised Restaurant within five (5) Days of the opening date. Master Franchisee will provide PLK with one (1) copy of each Franchise Agreement on or prior to the opening of the Franchised Restaurant, together with a signed acknowledgment from each Franchisee certifying in the manner set out in the Franchise Agreement that all applicable franchise disclosures, if any were required under applicable Law, were made by Master Franchisee to each Franchisee on a timely basis. Additionally, by not later than the later to occur of (i) the first (1st) Business Day of the month following the month in which a Franchised Restaurant was opened or (ii) five (5) Business Days following the date on which a Franchised Restaurant was opened, Master Franchisee will provide PLK with digital photographs (geotagged with the location of the Franchised Restaurant) of the interior and exterior of the Franchised Restaurant, showing that such Franchised Restaurant is open and operating and is serving guests and that the kitchen is stocked with food and supplies adequate to serve such guests. Additionally, Master Franchisee will comply with, and will cause all Franchisees to comply with, all requirements established by PLK from time to time to evidence the opening of new Franchised Restaurants in the Territory.
- 9.2.5 Master Franchisee will not amend a Franchise Agreement in any material respect, nor waive a Franchisee's obligation to comply with a material condition under a Franchise Agreement, without PLK's prior written consent. Master Franchisee will provide to PLK in advance a copy of any such amendment or statement describing a waiver to be granted. In addition, at PLK's request, Master Franchisee will provide to PLK a signed copy of each such amendment within ten (10) Days after such amendment is signed. Without limiting the generality of the foregoing, Master Franchisee will not amend a Franchise Agreement to delete PLK and its Affiliates as "FRANCHISOR INDEMNIFIED PARTIES" thereunder.
- 9.2.6 Master Franchisee will ensure that PLK or any employee, agent or designee of PLK, shall have the unrestricted right to enter the Franchised Restaurants to conduct such inspections and other activities as PLK deems necessary to ascertain or ensure compliance with the Standards, including without limitation, to conduct interviews with Franchisee's employees. The inspections and other activities may be conducted without prior notice at any time determined by PLK, subject to the requirement that PLK will use commercially reasonable efforts to ensure that the inspections and other activities will not disrupt the normal business operations of the Franchised Restaurants.
- 9.2.7 Master Franchisee will fulfil all of the duties of the "Franchisor" under each Franchise Agreement executed pursuant to this Agreement and will use best efforts to maintain compliance by each Franchisee under, and enforce, each Franchise Agreement. However, Master Franchisee will not without PLK's prior written consent;

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- 9.2.7.1 Approve any changes to the Approved Plans and Specifications;
  - 9.2.7.2 Authorize any alteration, addition or improvement to the interior or exterior of a Franchised Restaurant not in compliance with the Standards;
  - 9.2.7.3 Make any material changes to the form of the Franchise Agreement;
  - 9.2.7.4 Approve the use of any products, fixtures, furnishings, signs, equipment, interior or exterior design, or methods of operation not specified in the Confidential Operating Manual or otherwise approved in writing by PLK;
  - 9.2.7.5 Approve or disapprove suppliers or distributors to the Franchised Restaurant;
  - 9.2.7.6 Approve the sale or use in a Franchised Restaurant of any product that has not previously been approved in writing by PLK or that has been disapproved by PLK for sale or use in the Franchised Restaurant; or
  - 9.2.7.7 Except as otherwise permitted or authorized by PLK in writing, knowingly permit any material deviation by a Franchisee from the Standards.
- 9.2.8 Master Franchisee will ensure that all Franchisees install equipment in their Franchised Restaurants as required by PLK.
- 9.2.9 Master Franchisee will use commercially reasonable efforts to obtain P&L Information from each Franchisee. Master Franchisee will provide PLK with P&L Information provided to Master Franchisee by each Franchisee pursuant to its Franchise Agreements at such times as PLK designates and in an electronic format prescribed by or otherwise acceptable to PLK. The Franchise Agreement shall require each Franchisee to provide Master Franchisee with P&L Information and authorize Master Franchisee to provide such P&L Information to PLK.
- 9.2.10 Master Franchisee's failure to perform in a diligent and timely manner any material obligation owed to any Franchisee will constitute a breach of this Agreement, such breach to be cured within sixty (60) Days after written notification from PLK to Master Franchisee. Failure to cure following notification will constitute a material breach of this Agreement, and PLK may after giving reasonable consideration to the nature of the relevant default, either terminate the Development Rights or terminate this Agreement in its entirety.
- 9.2.11 If Master Franchisee fails to carry out its material obligations under a Franchise Agreement within the time provided in the Franchise Agreement and in a manner consistent with the terms of the Franchise Agreement, PLK may, with the written approval of Master Franchisee (which shall not be unreasonably withheld) itself take such steps necessary to enforce the terms and conditions of the Franchise Agreement. Master Franchisee will cooperate with PLK to give effect to this clause, including, by providing and executing such documents deemed necessary by PLK.

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- 9.2.12 Each Franchised Restaurant shall be operated according to the Franchise Agreement and the Standards. Master Franchisee will immediately report to PLK any termination or renewal of, or refusal to renew, any Franchise Agreement, including any notice of intent not to renew by any Franchisee, and all information PLK may reasonably request concerning any termination, renewal or refusal to renew.
- 9.2.13 If Master Franchisee fails to operate any Franchised Restaurant in compliance with the terms of the Franchise Agreement, PLK may direct, as it deems best, Master Franchisee to terminate the Franchise Agreement for that Franchised Restaurant and/or require the closure (either temporary or permanent) of the Franchised Restaurant.
- 9.2.14 If Master Franchisee fails to pay PLK (or its designee) (other than a failure to pay due to a Payment Restriction which shall be governed by the terms of clause 22.4) when due any amounts payable under clause 9.4 or clause 9.5 at any time with respect to any Franchised Restaurant, either during the Term or, if applicable, thereafter, and does not cure such failure within twenty (20) Days of written notice from PLK, then PLK may notify, or may direct Master Franchisee to notify, Franchisees in writing to pay the Franchised Restaurant Unit Fee and/or Royalty Fee and submit Sales Reports directly to PLK or its designee with respect to all periods after the date of such notice. The Franchise Agreements shall provide for payment of such amounts and the submission of Sales Reports directly to PLK upon receipt of written notice from PLK or Master Franchisee. For purposes of enforcing this provision, PLK will be named as a third party beneficiary under the Franchise Agreements. Master Franchisee shall be liable and shall pay or reimburse PLK on demand for all reasonable costs, including legal costs, incurred by PLK in connection with the enforcement of PLK's third party beneficiary rights under the Franchise Agreements.
- 9.2.15 If at any time, Master Franchisee receives a termination payment or other amount from a Franchisee or any other Person for future royalties as a result of the closure of a Franchised Restaurant or termination of the Franchise Agreement, Master Franchisee and PLK will share such payment (reduced by the amount of any documented out of pocket collection costs incurred by Master Franchisee) pro rata in accordance with their respective Royalty Fee percentages. Master Franchisee will promptly notify PLK and remit payment to PLK within thirty (30) Days after receipt thereof. For the avoidance of doubt, Master Franchisee will have no obligation to pursue collection of a termination payment or other amount as a result of the closure of a Franchised Restaurant or termination of a Franchise Agreement and may determine in its sole discretion whether or not to initiate such collection activities.

### 9.3 IT Systems.

- 9.3.1 Master Franchisee will, at its sole cost and expense, provide PLK with Polling Information and Delivery Aggregator Information (to the extent received from Delivery Aggregators) at such time or times as may be reasonably required by PLK and ensure that Master Franchisee and all Franchisees install POS Systems and adopt polling and data collection systems prescribed by PLK. Master Franchisee will only use the information received from the Franchisees' POS Systems and Franchisees' Polling Information in order to provide the Services.

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9.3.2 PLK may at any time prescribe a POS System for use in the Territory so long as (i) such POS System is at least equivalent in functionality to the POS System currently in use in the Territory and (ii) the cost of such POS System is equivalent to or less than comparable POS Systems available in the Territory from third parties.

9.3.3 PLK shall have the right to approve the vendor that Master Franchisee engages to develop any website, applications, including Mobile Applications, or other digital assets for use in the Territory. Such approval shall not be unreasonably withheld. In addition, upon written notice to Master Franchisee, PLK may require Master Franchisee to purchase websites, applications or other digital assets from PLK, an Affiliate of PLK or a vendor approved by PLK.

#### 9.4 Franchised Restaurant Unit Fee.

9.4.1 During the Term, Master Franchisee will pay to PLK or its designee (a) US\$[\*\*\*\*] for each Franchised Restaurant opened during Development Year 1, Development Year 2 and Development Year 3, and (b) US\$[\*\*\*\*] for each Franchised Restaurant opened during Development Year 4 and at any time thereafter (the “**Franchised Restaurant Unit Fee**”), each for a twenty (20) year term (which amount will be prorated if the term of the applicable Franchise Agreement is less than twenty (20) years), whether or not Master Franchisee actually charges or collects a franchise fee for such Franchised Restaurant.

9.4.2 The Franchised Restaurant Unit Fee will be due and payable no later than five (5) Days after the receipt of an invoice from PLK and/or an Affiliate of PLK or five (5) Days after the scheduled opening date of the Franchised Restaurant, whichever occurs first.

9.4.3 Upon renewal of the Franchise Agreement for any Franchised Restaurant Master Franchisee will pay the Renewal Fee to PLK prior to the expiration of the term of the Franchise Agreement, whether or not Master Franchisee actually charges or collects a renewal fee for such Franchised Restaurant.

9.4.4 For the avoidance of doubt, Master Franchisee may not charge a Franchised Restaurant Unit Fee or Renewal Fee in an amount in excess of the amount set forth in clause 9.4.1 or as set forth in the definition of “Renewal Fee”, respectively, it being understood that PLK will receive the entire amount of the fee paid by the Franchisee in connection with the opening of a Franchised Restaurant or the renewal of a Franchise Agreement.

#### 9.5 Royalty Fee.

9.5.1 In consideration of the license and other rights granted under this Agreement during the Term, Master Franchisee will pay a Royalty Fee for each new Franchised Restaurant to PLK or its designee [\*\*\*\*].



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- 9.5.2 The maximum royalty Master Franchisee may charge a Franchisee under a Franchise Agreement is [\*\*\*\*]. Notwithstanding the foregoing, the Parties agree to discuss and consider in good faith any future proposals by Master Franchisee for an increase to the maximum royalty that Master Franchisee may charge Franchisees. Unless otherwise authorized by PLK in writing, the portion of the royalty fee collected and retained by Master Franchisee will be Master Franchisee's sole compensation related to the Franchise Agreements and the Services to be provided to Franchisees. For the avoidance of doubt, regardless of the royalty Master Franchisee charges for a Franchised Restaurant, Master Franchisee will pay PLK (or its designee) the full amount of the Royalty Fee required under clause 9.5.1, even if the royalty Master Franchisee actually charges Franchisee is less and regardless of whether or not Master Franchisee charges and/or collects a fee for such Franchised Restaurant.
- 9.5.3 In the event that applicable Law requires the calculation of the Royalty Fee payable pursuant to this clause 9.5 to be based on any figure other than monthly Gross Sales, which calculation results in a sum payable to PLK which is less than what would have been payable had the Royalty Fee been calculated based on monthly Gross Sales, then Master Franchisee undertakes and agrees to pay such difference from its global assets and bank accounts so that the final amount paid to PLK amounts to the Royalty Fee calculated based on monthly Gross Sales.
- 9.6 Advertising Contribution. Master Franchisee will require each Franchisee to contribute no less than five percent (5.0%) of Gross Sales on a monthly basis, beginning the first month after each Franchised Restaurant has commenced operations, to an Advertising Fund to be managed by Master Franchisee during the Term pursuant to clause 11 of this Agreement. Master Franchisee will deposit all Advertising Contributions received pursuant to the Franchise Agreements into the Ad Fund Account. To the extent that the amount remitted by a Franchisee or Affiliate in connection with a Franchised Restaurant is insufficient to pay the Royalty Fee required under clause 9.5.1 and Advertising Contribution, the payment will be applied first to the Royalty Fee and the balance, if any, will be applied to the Advertising Contribution.
- 9.7 Invoices; Taxes. On a monthly basis, Master Franchisee will calculate the royalties for all Franchised Restaurants based on the Sales Reports provide by Franchisees. Master Franchisee will provide PLK with a copy of the Sales Reports within five (5) Business Days from receipt thereof. Master Franchisee will invoice Franchisees for royalties, together with any taxes (including applicable VAT) which Master Franchisee is required by applicable Law to collect and remit to the Tax Authority in the Territory. Master Franchisee agrees to indemnify the PLK Indemnified Parties for any Claims or Losses, including penalties and interest, resulting from Master Franchisee's failure to properly remit any such tax payment (including applicable VAT) collected from Franchisees. Notwithstanding the foregoing, Master Franchisee shall procure that Franchisees provide the Sales Report for each month utilizing such sales reporting and invoicing process as may be implemented by PLK for franchisees in the Territory from time to time. The failure of any Franchisee to submit a Sales Report on three (3) or more occasions during any twelve (12) month period shall be an event of default under the Franchise Agreement.

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- 9.8 Method of Payment. PLK may, at its option, and provided the same is permissible under the applicable Law of the Territory, require payment of the Royalty and/or Advertising Contribution and any other amount payable under this Agreement (including pursuant to clause 8 and 9 hereof) by such method or methods as may best align or accord with PLK's global payment policy standards in effect from time to time, including, without limitation, by international wire transfer, electronic funds transfer, ACH credit transfer, international drawdown and/or by direct weekly or monthly withdrawals in the form of an electronic, wire, automated transfer or other similar electronic funds transfer in the appropriate amount(s) from Master Franchisee's bank or other financial institution account. If PLK exercises the latter option to automatically pull funds from Master Franchisee's bank account, Master Franchisee will: (a) execute and deliver to its financial institution and to PLK those documents necessary to authorize such withdrawals and to make payment or deposit as directed by PLK; (b) not thereafter terminate such authorization so long as any payments are owed to PLK hereunder or any other agreement with PLK, whether this Agreement is in effect or this Agreement has expired or been terminated or any other such agreement is in effect or has expired or been terminated, without the prior approval of PLK; (c) not close such account without prior notice to PLK and the establishment of a substitute account permitting such withdrawals; and (d) take all reasonable and necessary steps to establish an account at a financial institution which has a direct electronic funds transfer or other withdrawal program if such a program is not available at Master Franchisee's financial institution.
- 9.9 Master Franchisee Must Not Withhold Payment. Master Franchisee shall not, unless required by Law, for any reason withhold or offset payment of any amount due to PLK under this Agreement (including pursuant to clause 8 and 9 hereof). This applies even if Master Franchisee alleges that PLK has not performed or is not performing an obligation imposed upon it under this Agreement or any other agreement with PLK. PLK may accept any partial payment without prejudice to its right to recover the balance due or pursue any other remedy.
- 9.10 Application of Payments. PLK, in its sole discretion, may apply any payment received from Master Franchisee or from any other Person on behalf of Master Franchisee against any past due indebtedness of Master Franchisee as PLK may see fit, notwithstanding any contrary instruction or designation given by Master Franchisee or any other Person as to the application or imputation of any such payment.
- 9.11 Marketing Plan. Master Franchisee will develop a marketing plan to attract qualified Franchisee candidates within the Territory. Master Franchisee will consult with PLK about the plan and provide a copy of the plan to PLK.
- 9.12 Mobile Applications. If PLK approves the use of any Mobile Applications in the Territory, Master Franchisee shall comply with, and shall cause Franchisees to comply with, such standards PLK may require for the use of Mobile Applications.
- 9.13 Development Services. Master Franchisee will provide, at Master Franchisee's sole cost and expense, the following development services (the "**Development Services**") to Franchisees:
- 9.13.1 Administer PLK's development processes and procedures as described in Exhibit C attached hereto;

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- 9.13.2 Provide the Approved Plans and Specifications for all types of Restaurants;
- 9.13.3 Provide architectural advice and consultation as necessary on plan revisions, layout and signs;
- 9.13.4 Provide assistance, advice and consultation on zoning and other matters conducive to the development of a Restaurant for the approved location; provided, however, that none of these responsibilities should be construed to suggest that it is Master Franchisee's responsibility to perform the tasks of, or undertake tasks normally undertaken by, any kind of engineer, architect, surveyor or other professional Person or to otherwise provide any engineering, architectural, quantity surveying or other professional services;
- 9.13.5 analyze site packages prepared by Franchisees, administer PLK's site selection policies in relation to proposed sites of Franchisees and grant Site Approval (subject to compliance with Exhibit C) for a proposed location of a Popeyes Restaurant; provided, however, that upon the occurrence of an MDA Termination Event, at PLK's option and upon notice to Master Franchisee, PLK may terminate Master Franchisee's right to grant Site Approval pursuant hereto;
- 9.13.6 Conduct all necessary site-related studies (or procure that Franchisees conduct such studies), as may be called for by the Popeyes System or are otherwise appropriate, such as demographics and traffic studies;
- 9.13.7 Inspect such site during construction and provide advice to Franchisees as necessary in relation to the franchise requirements; and
- 9.13.8 Verify that each Franchised Restaurant has been constructed in accordance with the Approved Plans and Specifications.

**10 RIGHTS AND OBLIGATIONS OF MASTER FRANCHISEE IN RELATION TO MENU AND SUPPLIERS**

10.1 Approved Suppliers and Approved Products.

- 10.1.1 To ensure goods and services meet PLK's Standards, Master Franchisee shall only procure such goods and services from Approved Suppliers in connection with the development, improvement or operation of the Restaurants. Such goods include the Approved Products, including, without limitation, food and supplies, packaging and paper products, furnishings, fixtures, signage, equipment, uniforms and premiums. The decision to approve or disapprove proposed suppliers and/or distributors shall be made by PLK in its sole discretion. PLK may consider any factors it deems relevant in establishing specifications and standards and in approving suppliers and/or distributors, and is not obligated to approve multiple suppliers and/or distributors of any good or service. To the extent that PLK or any of its Affiliates negotiates any cost recovery fees with Approved Suppliers after the Original Commencement Date, PLK may use these funds in its sole discretion.
- 10.1.2 Additionally, Master Franchisee agrees to implement, at its sole cost and expense, the complaint reporting system approved by PLK and/or its Affiliates for use in the Popeyes System, for all Popeyes Restaurants in the Territory, prior to the shipment of any products from an Approved Facility to a Popeyes Restaurant in the Territory. Such complaint reporting system must be operated at Master Franchisee's sole cost and expense, by such Approved Facility, the Master Franchisee or a third party approved by PLK. Master Franchisee must also implement, at its sole cost and expense, a customer complaint system, approved by PLK, for the purposes of receiving and addressing customer complaints and ensuring compliance with the Standards. Master Franchisee shall provide PLK with PLK-required customer complaint reports, monthly, or more frequently upon PLK's request in a format approved by PLK.

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10.1.3 Master Franchisee may negotiate pricing and other terms and conditions with Approved Suppliers in the Territory regarding Approved Products. Notwithstanding the foregoing, Master Franchisee may not negotiate terms and conditions with any Approved Supplier in the Territory which would negate or conflict with any agreements that PLK has with such Approved Supplier without PLK's prior written consent. Master Franchisee may negotiate with Approved Suppliers for rebates and/or supply chain and/or marketing allowances to be paid directly to the Advertising Fund for the benefit of all of the PLK Restaurants in the Territory; provided, however, that Master Franchisee will promptly disclose to PLK the terms of any such rebates and/or supply chain and/or marketing allowances. For the avoidance of doubt, the rights granted to Master Franchisee pursuant to this clause 10.1.3 will automatically terminate upon the occurrence of an MDA Termination Event.

10.2 Local Menu Customization. During the Term and without prejudice to the rights reserved to PLK in this Agreement and the Company Franchise Agreement, Master Franchisee may seek to establish local menu items for Restaurants operating within the Territory; provided that (i) all of the Core Menu Items are required to be offered for sale at all Restaurants in the Territory, (ii) all suppliers and product ingredients are approved by PLK in writing in accordance with PLK's standard processes and procedures for such approval, as supplemented below, and (iii) all local menu items are approved by PLK in accordance with the procedures set forth below.

10.2.1 If Master Franchisee wishes to establish a local menu item, it must undertake (i) an analysis to assess the financial feasibility to Restaurants and (ii) consumer research in the part of the Territory in which Master Franchisee wishes to introduce the local menu item (the "**Affected Area**") to assess whether that menu item has "concept appeal" and "taste ratings" in the Territory which are reasonably equivalent to the level of concept appeal and taste ratings of the Core Menu Items and local menu items already implemented in accordance with these procedures. Master Franchisee will permit PLK to review the financial analysis and consumer research conducted by Master Franchisee pursuant to this clause 10.2.1. Master Franchisee will submit its request for concept approval of the local menu item in the Affected Area ("**Concept Approval**") to PLK in writing (the "**Concept Approval Notice**"), which PLK may approve or disapprove in its sole discretion. PLK will review the Concept Approval Notice and use commercially reasonable efforts to notify Master Franchisee within thirty (30) Days of its decision or that it requires additional time in order to review the Concept Approval Notice. Unless PLK approves any request for Concept Approval in writing, such request shall be deemed disapproved. Failure to notify Master Franchisee of its decision within thirty (30) Days shall not operate as a deemed consent by PLK in respect of the local menu item. If PLK decides to disapprove the local menu item, PLK will provide Master Franchisee with written notice of such disapproval, specifying the reasons for such determination, which reasons may not be challenged or appealed by Master Franchisee.

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- 10.2.2 For the avoidance of doubt, the rights granted to Master Franchisee pursuant to this clause 10.2 shall terminate in the event that the Development Rights are terminated for any reason or this Agreement expires or terminates. Termination shall not affect rights granted to Master Franchisee pursuant to this clause 10.2 prior to such termination, subject always to PLK's discretion to revoke or terminate any such prior approval given to Master Franchisee in the event that the required Standards in respect of such local menu items are not maintained by Master Franchisee and/or any suppliers as determined by the Popeyes QA Program.
- 10.2.3 Master Franchisee shall require that, upon PLK's request, Approved Suppliers of the ingredients for such local menu item shall promptly submit samples of the Approved Products or samples of any components of the Approved Products to a third party laboratory facility identified by PLK for analytical testing and/or specifications technical review according to the Popeyes QA Program. PLK may also authorize the laboratory facility to obtain such samples directly from Approved Suppliers or Popeyes Restaurants pursuant to a testing schedule established by PLK. Master Franchisee shall pay, or ensure that Approved Suppliers pay, all costs and expenses in connection with such analytical testing and/or specifications technical review according to the Popeyes QA Program.
- 10.2.4 Any trademarks or other intellectual property rights created or subsisting in connection with the establishment of any local menu item, including any pre-existing marks or intellectual property rights of Master Franchisee, will become Popeyes Marks and Popeyes Intellectual Property Rights hereunder. Master Franchisee hereby disclaims any right or interest in or to such Popeyes Marks and/or Popeyes Intellectual Property Rights, and Master Franchisee hereby assigns to PLK such rights (if any) which Master Franchisee has or may acquire in such Popeyes Marks and/or Popeyes Intellectual Property Rights. If PLK elects to register the assignment or such trademarks or other intellectual property rights under applicable Law, PLK will be responsible for any costs associated with any such recordal or registration. Notwithstanding the foregoing, Master Franchisee will bear the cost of screening the potential new trademarks for use in the Territory in an amount not to exceed US\$30,000 annually (the "**Annual Cap**"), which amount may be paid out of the Advertising Fund at Master Franchisee's sole discretion. For the avoidance of doubt, if the Annual Cap is exhausted, PLK may deny approval of any further proposed marks, slogans or product names for that year, it being understood that PLK will not be responsible for the cost of any trademark screenings for the Territory.
- 10.2.5 Master Franchisee agrees that it shall not enter into a supply or distribution agreement or any other commercial agreement with a supplier and/or distributor until such supplier and/or distributor is an Approved Supplier. If Master Franchisee enters into any legally binding commitment with a supplier and/or distributor before such supplier and/or distributor is an Approved Supplier, then Master Franchisee shall bear the entire risk of loss or damage resulting from a subsequent decision of PLK not to approve such supplier and/or distributor. Additionally, Master Franchisee may not enter into any supply or distribution agreement or any other commercial agreement with an Approved Supplier with terms inconsistent with or contradictory to the Popeyes Master GTCs.

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### 10.3 Approval of Local Menu Ingredients and Suppliers.

- 10.3.1 If PLK has granted Concept Approval for a local menu item, Master Franchisee will identify proposed suppliers of the ingredients for such local menu item and provide PLK with the written report of an independent audit company approved by PLK, confirming that, with respect to each such supplier, the supplier's products and the facilities where such products will be manufactured comply with the Popeyes QA Program (the "**Audit Report**"). Additionally, if Master Franchisee proposes that PLK approve a new supplier of Approved Products, Master Franchisee will identify the proposed suppliers and provide PLK with the Audit Report. Master Franchisee will be responsible for the fees of the independent audit company if the supplier does not agree to pay such fees. Alternatively, PLK may, in its sole discretion, perform the audit itself, in which case Master Franchisee will be responsible for PLK's costs incurred in conducting the audit and all incidental out-of-pocket expenses. Master Franchisee will submit this information to PLK, together with the notice in the form attached as Exhibit D hereto (the "**Product Approval Notice**"), and provide any additional information reasonably requested by PLK. For purposes of this Agreement, the Product Approval Notice, Audit Report, Popeyes Master GTCs executed by the proposed supplier, together with all other information reasonably requested by PLK, are collectively referred to as the "**Product Supplier Documents**".
- 10.3.2 PLK will use commercially reasonable efforts to notify Master Franchisee of its decision regarding a new supplier within sixty (60) Days following the receipt of the Product Supplier Documents. Failure by PLK to notify Master Franchisee of its decision during such sixty (60) Day period shall not operate as a deemed consent of the proposed supplier(s). If PLK disapproves of the proposed supplier(s), PLK will provide Master Franchisee with written notice of such disapproval, specifying the reasons for such disapproval, which reasons may not be challenged or appealed by Master Franchisee. Unless PLK approves any request for a proposed supplier in writing, such request shall be deemed disapproved. For the avoidance of doubt, the rights granted to Master Franchisee pursuant to this clause 10.3 shall terminate in the event that the Development Rights are terminated for any reason or this Agreement expires or terminates. Termination shall not affect rights granted to Master Franchisee pursuant to this clause 10.3 prior to such termination, subject always to PLK's discretion to revoke or terminate any such prior approval given to Master Franchisee in the event that the required Standards are not maintained by any such Approved Suppliers as determined by the Popeyes QA Program.
- 10.3.3 Any trademarks or other intellectual property rights created in connection with the establishment of proposed suppliers shall become Popeyes Marks and Popeyes Intellectual Property Rights hereunder unless Master Franchisee and PLK agree otherwise. Master Franchisee hereby disclaims any right or interest in or to such Popeyes Marks and/or Popeyes Intellectual Property Rights, and Master Franchisee hereby assigns to PLK or its designee such rights (if any) which Master Franchisee has or may acquire in such Popeyes Marks and/or Popeyes Intellectual Property Rights. Master Franchisee shall assist in the recordal or registration of such assignment(s) as required under applicable Law.

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10.4 Removal of Core Menu Items. During the Term, all of the Core Menu Items are required to be offered for sale at all Restaurants in the Territory. Notwithstanding the foregoing Master Franchisee may request the removal of a Core Menu Item in the Territory pursuant to this clause 10.4.

10.4.1 If Master Franchisee wishes to discontinue selling a Core Menu Item, Master Franchisee will submit its request for removal of the Core Menu Item to PLK in writing (the “**Core Menu Item Removal Notice**”), which PLK may approve or disapprove in its sole discretion based on the following factors: (i) Master Franchisee and Franchisee profitability in the Territory, (ii) appeal of the Core Menu Item in the Territory, (iii) historical sales data for the applicable Core Menu Item, (iv) advertising and promotional efforts in the Territory related to such Core Menu Item, (v) Popeyes global brand identity and essence, and/or (vi) such other factors as PLK deems relevant, in its sole discretion. PLK will review the Core Menu Item Removal Notice and use commercially reasonable efforts to notify Master Franchisee within thirty (30) Days of its decision or that it requires additional time in order to review the Core Menu Item Removal Notice. Failure to notify Master Franchisee of its decision within thirty (30) Days shall not operate as a deemed consent by PLK in respect of the removal of such Core Menu Item. If PLK decides to disapprove the removal of the Core Menu Item, PLK will provide Master Franchisee with written notice of such disapproval, specifying the reasons for such determination, which reasons may not be challenged or appealed by Master Franchisee. Otherwise, PLK will give approval to Master Franchisee to remove the Core Menu Item in the Territory.

10.4.2 For the avoidance of doubt, the rights granted to Master Franchisee pursuant to this clause 10.4 shall terminate upon the occurrence of an MDA Termination Event. Termination shall not affect rights granted to Master Franchisee pursuant to this clause 10.4 prior to such termination, subject always to PLK’s discretion to revoke or terminate any such prior approval.

10.5 Prices. To the extent permitted under applicable Law, and provided that the Development Rights are in effect, Master Franchisee shall have the right to determine and adjust at its sole discretion the prices of all products and services offered in any of the Restaurants in the Territory. However, once the Development Rights expire or are terminated, Master Franchisee will participate in national promotions sponsored by PLK in the Territory at the recommended price point.

## **11 MARKETING AND ADVERTISING SERVICES**

11.1 Advertising Fund.

- (a) Master Franchisee will pay, and will ensure that each Franchisee in the Territory will pay, a monthly advertising contribution (the “**Advertising Contributions**”) into an account to be owned and maintained (until, if ever, such rights are terminated pursuant to clause 11.7 or upon the occurrence of an MDA Termination Event) by Master Franchisee (the “**Ad Fund Account**”). The Advertising Fund is made up of the Advertising Contributions deposited by Master Franchisee pursuant to the Company Franchise Agreement, and Franchisees pursuant to their respective Franchise Agreements, plus any interest earned on such amounts. Master Franchisee will at all times keep the Ad Fund Account separate from and not commingle the Ad Fund Account with any other bank accounts. Master Franchisee will not utilize such Ad Fund Account for any other purpose or in any other manner other than the purposes and manner stipulated in this Agreement and in the Company Franchise Agreement. Master Franchisee acknowledges that PLK has no obligation to contribute to the Advertising Fund or to make any payment if there are insufficient funds in the Ad Fund Account to satisfy Advertising Fund expenditures, and Master Franchisee will be responsible for managing the Advertising Fund to ensure that it is able to discharge all of its liabilities, obligations and commitments.

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- (b) Notwithstanding the foregoing, Master Franchisee may delegate to an Approved Subsidiary the rights and obligations under this clause 11 with respect to the management of the Advertising Fund to be established in Mainland China; provided, however, that (a) Master Franchisee will provide prior written notice to PLK of any such delegation to an Approved Subsidiary; (b) such arrangement complies with the relevant Franchise Agreements and the applicable Law in Mainland China; (c) Master Franchisee will provide PLK with an undertaking signed by such Approved Subsidiary in favour of PLK, pursuant to which such Approved Subsidiary agrees to comply with the terms and conditions of this clause 11 in all respects; and (d) no such delegation will relieve Master Franchisee from liability for its obligations hereunder.

11.2 Management of Advertising Fund; Withdrawals from Ad Fund Account. Master Franchisee agrees to manage the Advertising Fund on the following terms and conditions:

- 11.2.1 Other than as described in clause 11.2.5 below, Master Franchisee may withdraw sums from the Ad Fund Account only in connection with Marketing Services and for payment or reimbursement of Qualified Expenditures pursuant to the Company Franchise Agreement, the Global Marketing Policy and the applicable provisions of the Franchise Agreements;
- 11.2.2 Franchisees shall never be required to contribute more to the Advertising Fund in respect of any Franchised Restaurant than the advertising contribution as set forth in the Franchise Agreement for such Franchised Restaurant;
- 11.2.3 Master Franchisee may pay Administrative Expenses from the Advertising Fund, subject to the limitations set forth in the Global Marketing Policy. The Parties agree that: (i) for each of Development Year 1 through and including Development Year 3, the Administrative Expenses must not exceed in the aggregate fifty percent (50%) of the aggregate Advertising Contributions during such Development Year and (ii) for Development Year 4 and each Development Year thereafter, the Administrative Expenses must not exceed in the aggregate fifteen percent (15%) of the aggregate Advertising Contributions during such Development Year, without the written consent of PLK.
- 11.2.4 At PLK's request, Master Franchisee shall implement a guest experience survey program (the "**Survey Program**") approved by PLK for the Territory and the costs associated with the implementation and management of the Survey Program shall be paid out of the Ad Fund Account;
- 11.2.5 Master Franchisee shall remit to PLK or its designee from the Advertising Fund on a monthly basis, two percent (2%) of the total amount of Advertising Contributions for all of the Restaurants in the Territory to fund the Popeyes Global Initiatives, such payment to be made by the fifteenth (15<sup>th</sup>) day of each month based on Gross Sales for the previous month;
- 11.2.6 Master Franchisee shall comply in all respects with the Global Marketing Policy; and



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- 11.2.7 Master Franchisee and the Direct-Owned Restaurants will not receive any direct or indirect benefit in respect of the management of the Advertising Fund which is not afforded to the Franchisees.
- 11.3 Invoices; Taxes. On a monthly basis, Master Franchisee will calculate the Advertising Contributions for all of the Franchised Restaurants owned by a Franchisee based on the Sales Report provided by Franchisee. Master Franchisee will invoice each Franchisee for Advertising Contributions, together with any taxes (including applicable VAT) which Master Franchisee is required by applicable Laws to collect and remit to the Tax Authorities in the Territory. Master Franchisee agrees to indemnify the PLK Indemnified Parties for any Claims or Losses, including penalties and interest, resulting from Master Franchisee's failure to properly remit any such tax payment collected from Franchisees.
- 11.4 Marketing Calendar. Master Franchisee will establish the Marketing Calendar for all Restaurants in the Territory prior to the beginning of each calendar year and submit a copy to PLK for review. If Master Franchisee makes any material changes to the Marketing Calendar, it will promptly provide a copy of the revised Marketing Calendar to PLK.
- 11.5 Provision of Marketing Services and Advertising Services. Master Franchisee must provide Marketing Services and Advertising Services with respect to Direct-Owned Restaurants and Franchised Restaurants as follows:
- 11.5.1 Marketing Services. Except as otherwise provided herein, Master Franchisee shall provide the following marketing services in respect of all Restaurants in the Territory (collectively, the "**Marketing Services**"): (i) advertising, sales promotion, media buying, design, development, and public relations for the benefit of Franchisees and the Restaurants located in the Territory; (ii) administering the Advertising Fund; and (iii) any other related services required to be performed by Master Franchisee pursuant to the Company Franchise Agreement and the Franchise Agreements with Franchisees.
- 11.5.2 Advertising Services. Master Franchisee shall provide the following services in connection with the administration of the Advertising Fund (collectively, the "**Advertising Services**"):
- 11.5.2.1 Seek to spend the Advertising Fund on a fair and reasonable basis for suitable advertising, sales promotions and public relations in or affecting the market area in which a particular contributing Restaurant is located and on a local, state or national basis;
- 11.5.2.2 Seek to allocate expenditures on a fair and reasonable basis for advertising of the Direct-Owned Restaurants and advertising of Franchised Restaurants;
- 11.5.2.3 Comply with and perform all obligations of applicable Laws in the Territory which relate to a marketing, advertising or other cooperative fund;
- 11.5.2.4 Comply with the Advertising Fund financial reporting requirements set forth in the Global Marketing Policy;

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- 11.5.2.5 Keep track of the Advertising Fund's receipts and expenses as required by any applicable Laws;
- 11.5.2.6 Keep records of and in relation to the Advertising Fund expenses during each year, including details of the percentage spent on production, advertising, administration and other stated expenses;
- 11.5.2.7 Prepare and deliver to PLK an annual financial statement of the Advertising Fund expenses for each Development Year and all other financial information required under the Global Marketing Policy or as otherwise reasonably requested by PLK;
- 11.5.2.8 Provide to Franchisees such statements and information in relation to the Advertising Fund, which Master Franchisee is obligated to provide under any Franchise Agreement;
- 11.5.2.9 Consider any submissions by Franchisees on planning of advertising, sales promotions and public relations;
- 11.5.2.10 Comply with any reasonable directions of PLK in relation to the financial administration of the Advertising Fund;
- 11.5.2.11 Use its commercially reasonable efforts to cause Franchisees to deposit their Advertising Contributions into the Advertising Fund;
- 11.5.2.12 Use its commercially reasonable efforts to ensure that no marketing, promotion or advertising material is objectionable, obscene, offensive or otherwise likely, in the reasonable opinion of PLK, to bring the Popeyes Marks or Popeyes System (or any part thereof) into disrepute;
- 11.5.2.13 Provide Franchisees with reasonable assistance in the development of local marketing calendars and budget planning process;
- 11.5.2.14 Seek to identify, develop and implement new product and/or promotional opportunities that will build the Popeyes brand while increasing sales and traffic;
- 11.5.2.15 Track and report country pre/post promotion analysis; and
- 11.5.2.16 Assist in the identification and execution of local sales building and public relations opportunities.

#### 11.6 Advertising Standards.

- 11.6.1 Master Franchisee must comply with all applicable Laws and industry codes of practice in relation to advertising, marketing, sales promotion and public relations in all material respects and to the advertising, marketing, sales promotion and public relations standards of PLK described herein in all material respects.

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- 11.6.2 Master Franchisee must request PLK's prior approval of all Popeyes Advertising Materials and Popeyes Packaging Materials which contain one or more of the Popeyes Marks and/or Popeyes Domain Names. Requests for the approval of Popeyes Advertising Materials and Popeyes Packaging Materials shall be simultaneously sent to the marketing and legal representative designated by PLK, for approval on behalf of PLK in accordance with the procedures set forth in clause 11.6.3. Approval of the materials shall be evidenced by the signature of a representative of each respective functional director designated by PLK. PLK's review and approval of any materials prepared under this Agreement shall not constitute a waiver by PLK of Master Franchisee's other obligations hereunder. Master Franchisee agrees that any or all of its rights and interests in relation to the Popeyes Advertising Materials and Popeyes Packaging Materials are hereby transferred to, vest in and remain the exclusive property of PLK on and from their creation, as part of the consideration from PLK for this Agreement and without any further payment by PLK. Master Franchisee will do all things and sign all documents necessary to give effect to this clause.
- 11.6.3 Without limiting clause 11.6.1 and PLK's rights under clause 11.6.2 Master Franchisee must comply with the review mechanism for adherence to PLK's advertising, marketing and sales promotion standards set forth below:
- 11.6.3.1 Prior to the first use of any Popeyes Advertising Materials, Popeyes Packaging Materials or any other advertising or sales promotional material in respect of the Restaurants or the Popeyes System or which includes one or more of the Popeyes Marks, Master Franchisee must provide to PLK a copy of all such material, and:
- (A) in the case of television or radio material, a recording of the relevant material together with a transcript of its content translated into English, if applicable; and
  - (B) in the case of material made available on the Internet, a print out of all material made available in this manner translated into English, if applicable.
- 11.6.3.2 PLK shall have five (5) Business Days in which to approve or disapprove the Popeyes Marketing Materials or Popeyes Packaging Materials. If PLK withholds approval of the Popeyes Advertising Materials or Popeyes Packaging Materials, Master Franchisee must promptly arrange for the removal and discontinuation of the use of any advertising, marketing, sales promotional or public relations material where PLK has given notice to Master Franchisee that such material does not comply with its Standards.
- 11.6.3.3 Master Franchisee shall at all times adhere to PLK's generally applicable policies and procedures relating to advertising, marketing and/or promotional matters, as may be modified by PLK, from time to time, and communicated to Master Franchisee. Master Franchisee shall use reasonable efforts to ensure that each Marketing Agency does not commence work unless and until the Marketing Agency has signed PLK's Terms & Conditions of Supply of Marketing Services attached as Exhibit E to this Agreement.

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11.6.3.4 Master Franchisee acknowledges that all advertising and promotional materials developed by Master Franchisee, its employees, Affiliates, vendors and subcontractors shall belong to PLK. Master Franchisee hereby irrevocably agrees that it shall, at PLK's written request, assign to PLK any interest, property and rights it may have to any advertising and promotional materials developed by Master Franchisee, whether or not such materials are specifically approved for use by PLK in the Territory, and Master Franchisee further agrees that PLK may in its sole discretion, use or approve other franchisees in other territories to use such advertising and promotional materials developed by Master Franchisee in any such territories.

11.7 Termination of Rights. If Master Franchisee commits a material breach of its material obligations in relation to any one or more of the following: the Advertising Fund, the provision of Marketing Services, the provision of Advertising Services, or the advertising standards set out above (an "**Ad Fund Breach**"), and such breach is not cured within sixty (60) Days after PLK's written notice, PLK shall be entitled to terminate Master Franchisee's right to manage the Advertising Fund and provide the Marketing Services and Advertising Services and, in such event, the provisions of clause 11.8 shall apply. The Parties agree that the remedy set forth in this clause 11.7 shall be PLK's exclusive remedy for an Ad Fund Breach unless the Ad Fund Breach relates to (i) the failure of Master Franchisee to contribute the Advertising Contributions to the Ad Fund Account, (ii) the failure of Master Franchisee to maintain the Ad Fund in a separate account, or (iii) the misappropriation of the Advertising Contributions and/or Ad Fund Account.

11.8 Administration of Advertising Fund upon Certain Events. Following the termination of rights pursuant to clause 11.7 or upon the occurrence of an MDA Termination Event, Master Franchisee shall, at PLK's request, immediately and irrevocably designate PLK or its designee to administer the Advertising Fund and to provide the Marketing Services and Advertising Services for Master Franchisee and Franchisees, in place of Master Franchisee, with all of the rights and privileges of Master Franchisee in relation thereto under the Company Franchise Agreement and the Franchise Agreements. In such event, at PLK's option and as directed by PLK, (a) Master Franchisee shall notify Franchisees in writing of PLK's assumption of responsibility for the administration of the Advertising Fund and direct Franchisees to pay their Advertising Contributions to PLK or its designee with respect to all periods thereafter, and (b) Master Franchisee shall immediately cease to withdraw funds from the Ad Fund Account, notwithstanding any provision to the contrary set forth in any Franchise Agreements, it being the intention of the Parties that the administration of the Advertising Fund shall revert to PLK or its designee. Master Franchisee hereby provides an irrevocable power of attorney to PLK (and hereby commits to renew and separately document such power of attorney at any time upon PLK's request) to grant PLK or its designee access to the Advertising Fund Account under the circumstances set forth in the previous sentence, and will, at PLK's request, execute any and all documents and take any and all necessary action to transfer the Ad Fund Account to PLK or its designee. PLK shall as far as practicable take over and assume all future rights, obligations and liabilities under any agreement, arrangement or contract entered into by Master Franchisee for marketing and advertising consistent with approvals given by PLK up to a level of commitment consistent with the annual Marketing Calendar. In such event, Master Franchisee shall, upon demand, assign to PLK or its designee all right, title and interest of Master Franchisee in any agreement, arrangement or contract entered into by Master Franchisee for marketing or advertising for the benefit of Master Franchisee or Franchisees in the Territory except that any non-transferable contract or commitment will be carried to completion by Master Franchisee and paid for by PLK. This clause 11.8 shall survive the termination or expiration of this Agreement.

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11.9 Audits. PLK may audit the Advertising Fund at any time in order to verify the appropriate application of the funds in connection with marketing and advertising activities (the “**Advertising Fund Audit**”). The results of such an audit shall be disclosed to Master Franchisee and Franchisees upon request, provided that no more than one (1) Advertising Fund Audit shall be performed during any calendar year. Where the Advertising Fund Audit reveals that Master Franchisee has not maintained or administered the Advertising Fund in material compliance with this Agreement and the Global Marketing Policy, Master Franchisee shall reimburse PLK for all costs incurred by PLK in conducting such audit. Otherwise, PLK will be responsible for all such audit costs.

## **12 POPEYES MARKS AND POPEYES DOMAIN NAMES**

### **12.1 Ownership/Validity**

12.1.1 Master Franchisee acknowledges that it has had no part in the creation or development of the Popeyes Marks and disclaims any right or interest in the Popeyes Marks and Popeyes Domain Names, and to the goodwill in and to the Popeyes Marks and Popeyes Domain Names. Master Franchisee hereby confirms that during the Term, all such Popeyes Marks and Popeyes Domain Names, are and shall have at all times been the sole and exclusive property of PLK and/or its Affiliates, and shall so remain after the termination of this Agreement.

12.1.2 Master Franchisee shall not obtain or attempt to obtain, or allow any Marketing Agency or Franchisee to obtain or attempt to obtain during the Term, or at any time thereafter, any right, title or interest in or to any Popeyes Domain Names. In addition, Master Franchisee shall not obtain or attempt to obtain or allow any Marketing Agency or Franchisee to obtain or attempt to obtain during the Term, or at any time thereafter, any right, title or interest in or to any Popeyes Marks. Master Franchisee must not at any time during the Term or thereafter question, oppose, dispute or attack the validity, right, title or interest of PLK and/or its Affiliates as to the Popeyes Marks and Popeyes Domain Names.

12.1.3 Master Franchisee acknowledges and agrees that: (i) it shall in no way contest or deny the validity of, or the right or title of PLK and/or its Affiliates in or to the Popeyes Marks and Popeyes Domain Names and shall not encourage or assist others directly or indirectly to do so, during the Term and thereafter; (ii) any unauthorized use of the Popeyes Marks and Popeyes Domain Names by it shall constitute a breach of this Agreement and an infringement of the rights of PLK and/or its Affiliates in and to the Popeyes Marks and Popeyes Domain Names, as the case may be; (iii) it shall at all times use its commercially reasonable efforts to promote the value and validity of the Popeyes Marks and Popeyes Domain Names, and to protect the rights and reputation of PLK and its Affiliates in the Popeyes Marks and Popeyes Domain Names in the Territory; (iv) all use of the Popeyes Marks and Popeyes Domain Names by Master Franchisee and any Franchisee inures to the benefit of PLK exclusively; (v) any and all goodwill connected with the Popeyes Marks and Popeyes Domain Names as a result of Master Franchisee’s use or any Franchisee’s use, excluding the accounting goodwill value associated with Master Franchisee and its assets, inures to the exclusive benefit of PLK and its applicable Affiliates; (vi) upon termination of this Agreement, PLK is not required to make any payment to Master Franchisee for any goodwill associated with Master Franchisee’s use or any Franchisee’s use of the Popeyes Marks and Popeyes Domain Names; and (vii) Master Franchisee shall include in its contracts with third-party suppliers, including any Marketing Agency, a provision prohibiting the unauthorized use of the Popeyes Marks and Popeyes Domain Names. Upon termination of this Agreement in accordance with its terms, Master Franchisee shall immediately terminate all use of the Popeyes Marks and Popeyes Domain Names in connection with the Development Rights and the Services. Upon termination of this Agreement in accordance with its terms, Master Franchisee shall immediately terminate all use of the Popeyes Marks and Popeyes Domain Names in connection with the Development Rights and the Services; provided, that Master Franchisee shall be authorized to use the Popeyes Marks and the Popeyes Domain Names solely for the purpose of operating Direct-Owned Restaurants, subject to the terms and conditions of the Company Franchise Agreement.

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- 12.1.4 Without derogating from clause 12.1.1, Master Franchisee hereby absolutely assigns to PLK and/or its applicable Affiliates such rights (if any) which Master Franchisee has or may acquire in the Popeyes Marks and Popeyes Domain Names. PLK makes no express or implied warranty with respect to the validity, subsistence or otherwise of any of the Popeyes Marks and Popeyes Domain Names. Master Franchisee acknowledges that it may (but shall have no obligation to) conduct business utilizing some Popeyes Marks which have not been registered (“**Unregistered Marks**”) and that registration may not be granted for the Unregistered Marks.
- 12.1.5 PLK represents that the Popeyes Marks set out in Schedule 4 are registered as stated in Schedule 4 as of the Original Commencement Date, but makes no express or implied warranty with respect to the validity of any of the Popeyes Marks, except as specifically disclosed in Schedule 4. As of the Commencement Date, the Popeyes Marks disclosed in Schedule 4 are subsisting and in full force and effect and have not been cancelled, expired or abandoned. Except as would not be reasonably expected to adversely affect the business to be conducted by Master Franchisee, and except as specifically disclosed in Schedule 4, the Popeyes Marks specified in Schedule 4 do not infringe upon any intellectual property rights of third parties. In the event any Popeyes Marks infringe, or PLK or Master Franchisee has received notice that the Popeyes Marks are likely to infringe, upon the intellectual property rights of third parties, Master Franchisee will not be required to use such marks. Master Franchisee acknowledges that it may be conducting business utilizing Popeyes Marks which have not been registered and that registration may not be granted for Unregistered Marks, and that some of the Popeyes Marks may be subject to use by third parties unauthorized by PLK.
- 12.1.6 PLK grants to Master Franchisee a royalty-free license to use the User Data throughout the Term in the Territory solely in connection with its performance under this Agreement provided such use is in compliance with applicable Law and this Agreement. PLK will make the User Data available at no additional charge to the permitted Person or Persons who (or which) acquire Master Franchisee or the business of Master Franchisee in the Territory in accordance with the terms of the Transaction Agreements, provided that such Person or Persons uses the User Data solely in connection with its performance under the Transaction Agreements provided such use is in compliance with applicable Law and the terms of the Transaction Agreements. PLK agrees and acknowledges that Master Franchisee may, or may cause any of its Approved Subsidiaries to, seek to enter into contractual agreements with one or more third parties, with respect to the ownership, assignment, use, processing or storage of User Data with PLK’s prior written consent (such consent not to be unreasonably withheld if such contractual agreements are on substantially similar terms as those entered into in connection with the transfer of user data of TH International Limited, as described in its filings with the US Securities and Exchange Commission on or prior to the date hereof).

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## 12.2 Use.

Master Franchisee must not use the Popeyes Marks and the Popeyes Domain Names which are registered in relation to any goods or services other than the Goods and Services. Master Franchisee must use the Popeyes Marks and the Popeyes Domain Names which are applied for or registered continuously throughout the Term in respect of the Goods and Services and notify PLK in writing promptly if it intends to cease using or ceases using any of the Popeyes Marks and/or Popeyes Domain Names for any period of time. It is acknowledged and agreed as follows:

- 12.2.1 Master Franchisee may use the Popeyes Marks and Popeyes Domain Names only in such manner as PLK in its absolute discretion approves and must comply with any directions of PLK concerning the use of the Popeyes Marks and Popeyes Domain Names.
- 12.2.2 Master Franchisee must ensure that the Popeyes Logo appears in all advertisements in the form approved by PLK and/or its Affiliates. Master Franchisee must ensure that, in all television advertisements, the Popeyes Logo appears in the tag line or final frames of the commercials in a manner acceptable to PLK and/or its Affiliates.
- 12.2.3 Master Franchisee shall not use or display the Popeyes Marks and/or Popeyes Domain Names in a manner that is detrimental to the interests of PLK and/or its Affiliates.
- 12.2.4 Master Franchisee shall place PLK's copyright and PLK's trademark notices on all materials prepared by Master Franchisee hereunder which utilize such rights. Placement of the relevant copyright and trademark notices shall be in such locations and styles as PLK may direct. Master Franchisee must not alter or deface the Popeyes Marks or Popeyes Domain Names in any manner.
- 12.2.5 Master Franchisee may not use the Popeyes Marks and/or the Popeyes Domain Names pursuant to this Agreement in any manner likely to deceive or cause confusion, or use the Popeyes Marks and/or Popeyes Domain Names together with any other logos, names or trading styles, without PLK's prior written consent, or use any other trademark or domain name which is identical or confusingly similar to the Popeyes Marks or Popeyes Domain Names.

## 12.3 Control.

Master Franchisee shall ensure that the character and quality of the Goods and Services sold or provided by Franchisees using the Popeyes Marks and/or Popeyes Domain Names satisfy the Standards as modified by PLK from time to time. PLK has the right to require Master Franchisee to submit to PLK for approval samples of the goods and of all documents, labels, packaging and other matter on which any Popeyes Mark and/or Popeyes Domain Name will appear before use of such goods and as and when requested by PLK while such use continues. At all reasonable times and with reasonable prior notice, PLK may inspect the premises and operations of Master Franchisee to assess whether the Popeyes Marks and Popeyes Domain Names are being used in accordance with the terms and conditions of this Agreement, including, but not limited to the Standards.

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#### 12.4 Infringement.

- 12.4.1 If Master Franchisee becomes aware of any infringement or threatened infringement of any of the Popeyes Marks and/or Popeyes Domain Names, or of any conduct in relation to any of the Popeyes Marks and/or Popeyes Domain Names that might constitute passing off or misleading and deceptive conduct pursuant to applicable Law, or any Claim by a third party that use of any of the Popeyes Marks and/or Popeyes Domain Names is likely to deceive or cause confusion, infringes a third party's rights, or constitutes passing off or misleading and deceptive conduct, Master Franchisee shall promptly notify PLK in writing giving PLK all the information concerning the Claim and shall not take any other steps in relation to the matters referred to in this clause 12.4.1 without the prior written consent of PLK.
- 12.4.2 PLK and/or its Affiliates may, in its absolute discretion, commence proceedings in respect of any infringement of any Popeyes Mark and/or Popeyes Domain Name, or any other cause of action connected with a Popeyes Mark and/or Popeyes Domain Name, and, subject to clause 12.4.3, will have the full conduct of such proceedings.
- 12.4.3 Master Franchisee shall join and assist in any action relating to the right to use or the validity of the Popeyes Marks and Popeyes Domain Names where requested by PLK and at PLK's sole cost and expense. Master Franchisee may not institute any legal action or other proceeding based upon the Popeyes Marks and/or the Popeyes Domain Names without the prior written approval of PLK and except on the terms permitted by PLK.

#### 12.5 Remedies.

Should Master Franchisee, having been notified by PLK that it is in default under this clause 12, fail to remedy the default as instructed by PLK, PLK may, without limiting any other right or remedy PLK may have under or in connection with this Agreement, by its authorized representative take such steps as it considers necessary to remedy the default, including the affixing of appropriate decals and the giving of instructions to the Marketing Agency involved in an improper use of the Popeyes Marks and/or Popeyes Domain Names.

### **13 POPEYES INTELLECTUAL PROPERTY RIGHTS**

#### 13.1 Ownership/Validity.

Master Franchisee disclaims any right or interest in and to the Popeyes Intellectual Property Rights. Master Franchisee hereby confirms that during the Term, all Popeyes Intellectual Property Rights are and have at all times been the sole and exclusive property of PLK and/or its Affiliates, and shall remain so after the termination of this Agreement. Master Franchisee may not at any time during the Term or thereafter, (a) question, oppose, dispute or attack the validity, right, title or interest of PLK and/or any of its Affiliates in the Popeyes Intellectual Property Rights, (b) create and develop any trademarks and/or other intellectual property rights which are identical or similar to the Popeyes Intellectual Property Rights, nor (c) file any application or register any trademarks and/or other intellectual property rights which are identical or similar to the Popeyes Intellectual Property Rights. Master Franchisee acknowledges and agrees that it shall at all times use its commercially reasonable efforts to promote the value and validity of the Popeyes Intellectual Property Rights and protect the rights and reputation of PLK in the Popeyes Intellectual Property Rights. Without derogating from this clause 13.1, Master Franchisee agrees to assign and does hereby assign to PLK and/or its Affiliates such rights (if any) which Master Franchisee has or may acquire in the Popeyes Intellectual Property Rights. PLK and/or its Affiliates make no express or implied warranty with respect to the validity, subsistence or otherwise of any of the Popeyes Intellectual Property Rights. Any unauthorized use of the Popeyes Intellectual Property Rights by Master Franchisee shall constitute a material breach of this Agreement and an infringement of the rights of PLK and/or its Affiliates in and to PLK's Intellectual Property Rights. Master Franchisee shall include in its contracts with third-party suppliers, including any Marketing Agency, a provision prohibiting the unauthorized use of the Popeyes Intellectual Property Rights. Upon termination of this Agreement, Master Franchisee shall immediately terminate all use of the Popeyes Intellectual Property Rights, in connection with rendering the Services. If Master Franchisee or its Affiliates, or their respective employees, develop any potential new trademark related to the Popeyes System for use in any Popeyes Restaurant operated by Master Franchisee or a Franchisee, prior to using such trademark, Master Franchisee shall seek the prior written permission of PLK and/or its Affiliates. Master Franchisee shall bear the cost of screening the potential new trademarks for use in the Territory. PLK and/or its Affiliates shall determine in their sole discretion whether to register such trademark, and if so, PLK shall be responsible for the costs of such registration. PLK and/or its Affiliates shall own any such trademarks and shall take all steps reasonably necessary, at PLK's sole cost and expense, to register and thereafter maintain such trademarks for use in the Territory and such trademarks shall thereby be deemed to be on Schedule 4. Master Franchisee will cooperate with the Company in such trademark registration.



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13.2 Use/Control.

Master Franchisee agrees not to use the Popeyes Intellectual Property Rights other than for the purposes set out in this Agreement. Master Franchisee shall at all times, both during the Term and following its termination, maintain in strict confidence the Standards and the operational manuals, marketing information and methods, policies, procedures of PLK and/or its Affiliates and all information and knowledge relating to the methods of operating and the functional know-how applicable to Popeyes Restaurants and the Popeyes System revealed to Master Franchisee by PLK or any of its Affiliates, representatives or agents. Master Franchisee may not disclose the information of PLK and/or its Affiliates referred to in this clause 13.2 to any third party, nor shall Master Franchisee use or permit any third party to use this information or any part thereof for any purpose whatsoever, except that during the Term, Master Franchisee may disclose to its employees, Franchisees and Marketing Agencies such of this information as may be necessary for carrying out its obligations under this Agreement, subject to the terms and conditions of this Agreement. Master Franchisee shall ensure that each of its employees to whom it discloses such information is aware of the confidential nature of such information and does not disclose such information to any third parties, except as permitted by this clause 13.2. Master Franchisee shall also ensure that it will not disclose any information to any Marketing Agencies without a signed written agreement from such Marketing Agencies to protect the confidentiality of such information.

13.3 Infringement.

13.3.1 If Master Franchisee becomes aware of any infringement or threatened infringement of any of the Popeyes Intellectual Property Rights, Master Franchisee must promptly notify PLK in writing giving PLK all the information concerning the claim and must not take any other steps in relation to that infringement without the prior written consent of PLK.

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13.3.2 PLK and/or its Affiliates may, in their absolute discretion, commence proceedings in respect of any infringement of any of the Popeyes Intellectual Property Rights, or any other cause of action connected with Popeyes Intellectual Property Rights and will have the full conduct of such proceedings.

13.3.3 Master Franchisee must join and assist in any action relating to the right to use or the validity of the Popeyes Intellectual Property Rights where requested by PLK and at PLK's sole cost and expense. Master Franchisee may not institute any legal action or other proceeding based upon the Popeyes Intellectual Property Rights without the prior written approval of PLK and except on the terms permitted by PLK.

#### **14 COMPETITION**

14.1 Master Franchisee acknowledges and agrees that the Popeyes System is unique, especially in the areas of building design, food preparation format, service format, menu, training program, audit routines, restaurant operations and related manuals, bookkeeping, marketing and advertising formats and in other areas not listed above, and PLK has valuable goodwill which it develops and maintains relating to these matters. Master Franchisee has no and shall have no proprietary interest whatsoever in the Popeyes System or any element thereof. Master Franchisee acknowledges further that no license has been or will be granted to them to use any part of the Popeyes System for any purpose other than the purposes contemplated by this Agreement and by the Company Franchise Agreement.

14.2 Except as described below in clause 14.3, Master Franchisee agrees, on behalf of itself and its Affiliates, that it shall not at any time acquire or own any ownership interest in, consult, open, operate or act as a franchisee for any Competitor, whether directly or indirectly, within the Territory or elsewhere, with the exception of purely financial investments where Master Franchisee or its Affiliates hold a passive stake of less than three percent (3%) in any publicly listed company without the ability to control the strategy and business of such company.

14.3 Notwithstanding the foregoing or anything in this Agreement to the contrary, PLK acknowledges that Cartesian and/or its Affiliates, as of the date of this Agreement, operate the restaurant businesses set forth in Schedule 5 and shall be permitted to continue to operate such restaurant businesses in the Territory (the "**Existing Businesses**"). In respect of the Existing Businesses operated by Master Franchisee, and in the event that PLK permits Master Franchisee or an Affiliate of Master Franchisee to build, own or operate other businesses (which decision PLK may make in its absolute discretion), and whether or not such Existing Businesses or businesses constitute a Competitor, Master Franchisee represents and warrants that it shall have obtained all necessary consents and approvals from the owners of such other Existing Businesses, businesses or contracting parties related to those businesses (e.g., landlords, licensors, suppliers, service providers, etc.) to enter into this Agreement and own and operate the Restaurants as contemplated in this Agreement. Master Franchisee shall fully defend, indemnify and hold harmless the PLK Indemnified Parties against all Losses sustained or incurred by any PLK Indemnified Party arising directly or indirectly from any failure by Master Franchisee to obtain such consents and approvals.

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- 14.4 Master Franchisee agrees that the restrictions in this clause 14 are reasonable and necessary to avoid any real or potential conflict of interest and to protect the Popeyes System and the Confidential Information and other proprietary information of PLK and the legitimate business interests of PLK, as Master Franchisee has been specifically granted the right by PLK to establish and operate the food chain business using the Popeyes System, the Popeyes Marks and the Popeyes Intellectual Property Rights in the Territory, which incorporates all requisite information, technical know-how, expertise and guidance which Master Franchisee could not have otherwise acquired except through the rights and obligations set forth in this Agreement.
- 14.5 This clause 14 shall remain in effect during the Term and the term of the Company Franchise Agreement and the Unit Addenda and shall continue for a period of one (1) year following the expiration or termination of this Agreement, the Company Franchise Agreement or any Unit Addenda, whichever is the last to expire or terminate.

## **15 TRAINING AND OTHER SERVICES**

### 15.1 Training Services.

Master Franchisee shall provide at its sole cost and expense, the following training services and courses (the “**Training Services**”) in respect of all Direct-Owned Restaurants and Franchised Restaurants to ensure compliance with the Standards:

- 15.1.1 An initial training program to be completed by operations directors and other above-restaurant and multi-unit managers, Restaurant Management teams and crew employed by Master Franchisee and Franchisees (the “**Basic Training Program**”);
- 15.1.2 Continuing training programs to be completed by operations directors and other above-restaurant and multi-unit managers, Restaurant Management teams and crew at Direct-Owned Restaurants and Franchised Restaurants, including product and equipment training, in accordance with the Popeyes Curriculum or as may otherwise be required by PLK to ensure compliance with the Standards, such training to be in the form that PLK, in its sole discretion, deems to be most appropriate in the circumstances, including on-line training and other forms of electronic training;
- 15.1.3 At Master Franchisee’s option, leadership training, soft skills, multi-unit management training, problem-solving methodology and other training programs, as determined by Master Franchisee (collectively, “**Optional Training Programs**”); provided, however, that if Master Franchisee offers any Optional Training Programs, such programs must be aligned with the Basic Training Program and Master Franchisee must use PLK’s modules and content, if available;
- 15.1.4 Training and monitoring of trainers engaged by Master Franchisee and Franchisees who own multiple Franchised Restaurants;
- 15.1.5 Seek to ensure that any certified training restaurants comply with the Standards; and
- 15.1.6 Follow up on the training recommendations made by PLK on the training needs of Master Franchisee’s and any Franchisee’s employees and/or management.

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## 15.2 Basic Training Program.

- 15.2.1 The Basic Training Program shall be in the form that PLK, in its sole discretion, deems to be most appropriate in the circumstances to enable the Direct-Owned Restaurants and Franchised Restaurants to comply with the Standards and may be accomplished through, among other means, in-restaurant training, on-line and other electronic training, visits made by operations consultants, through printed and filmed reports, seminars and/or newsletter mailings or through electronic communications, including email.
- 15.2.2 The Basic Training Program shall be conducted at training facilities and/or certified Restaurants approved by PLK and operated by Master Franchisee in the Territory, or, if no such certified training restaurants exist, at certified training restaurants owned by third parties at such location(s) determined by PLK. PLK reserves the right to modify the Basic Training Program, in its sole and complete discretion.
- 15.2.3 For the avoidance of doubt, Master Franchisee shall be responsible for the cost of all Training Services, including all training materials, such as workbooks, online and/or electronic content (whether such amounts are due and payable to PLK or its Affiliates or a third party designated by PLK), all travel and living expenses relating to personnel of Master Franchisee to attend the Basic Training Program, other personal expenses incurred and materials provided to such personnel, and all fees and expenses charged by the operators of Popeyes Restaurants where the Basic Training Program is conducted. In particular, Master Franchisee shall be responsible for the costs of all training materials provided by PLK or third parties designated by PLK in connection with Popeyes Academy, PLK's current online training platform. Master Franchisee shall remit payment of all amounts invoiced to Master Franchisee for Popeyes Academy by PLK or a third party designated by PLK within ten (10) Days of receipt of such invoice.
- 15.2.4 A Restaurant must not open unless the operations director, Restaurant Management team and such other members of Master Franchisee's or Franchisee's staff (as the case may be) charged with the responsibility for the day-to-day operation of such Restaurant have successfully completed the Basic Training Program.

## 15.3 Popeyes Curriculum.

Master Franchisee must use reasonable efforts to ensure that the Training Services referred to in this clause 15 are provided in strict compliance with the Popeyes Curriculum. Once it is made available, PLK will provide Master Franchisee with the Confidential Operating Manual, Popeyes Curriculum and other training aids to assist Master Franchisee in carrying out the Training Services referred to in this clause 15. PLK will provide Master Franchisee with any necessary translations that PLK has prepared with respect to the Confidential Operating Manual, Popeyes Curriculum and other training aids. If no such translations of the Confidential Operating Manual, Popeyes Curriculum and other training aids are available on the Commencement Date, PLK, or with PLK's approval, Master Franchisee, will translate the Confidential Operating Manual, Popeyes Curriculum and other training aids into the applicable language of the Territory at Master Franchisee's sole cost and expense for the use of Master Franchisee and the Franchisees in the Territory (and provided that Master Franchisee will not use such translations until reviewed and approved by PLK or its designee, and the cost of such translation review shall be at Master Franchisee's sole cost and expense). Any copyright or other proprietary rights in and to any translated version of the Confidential Operating Manual, Popeyes Curriculum and other training aids shall be the exclusive property of PLK. PLK authorizes Master Franchisee to reproduce the training manuals and other training aids for the purposes of carrying out its obligations under this clause 15 at Master Franchisee's cost and expense.

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15.4 Pre-Opening and Opening Services.

Master Franchisee must provide Pre-Opening Services and Opening Supervision Services as required under the Franchise Agreement in respect of all Franchisees. **“Pre-Opening Services”** and **“Opening Supervision Services”** consist of such pre-opening and opening supervision and assistance required by the Standards, including the standards, requirements and procedures from time to time in the PLK Confidential Operating Manual applicable to the Territory, as modified by PLK from time to time.

15.5 Anti-Corruption Training; Audit.

Master Franchisee shall, at its sole cost and expense, attend and participate in any training required by PLK regarding compliance with Anti-Corruption Laws, and Master Franchisee shall, and shall cause each Franchisee to, allow PLK and/or its representatives and consultants to audit the books and records of Master Franchisee and each Franchisee to confirm compliance with any such Anti-Corruption Laws and/or other laws. Master Franchisee agrees to cooperate, and to ensure that Franchisees cooperate, with PLK and/or its representatives and consultants in the performance of any such audit.

**16 MONITORING SERVICES**

16.1 Master Franchisee shall provide, at its sole cost and expense and at PLK’s request, the following day-to-day monitoring services (collectively, the **“Monitoring Services”**) in respect of the Direct-Owned Restaurants and Franchised Restaurants to ensure compliance with the Standards:

- 16.1.1 Subject, to clause 17.2, conduct, at a minimum, three visits per year of each Direct-Owned Restaurant and Franchised Restaurant and otherwise administer the process required by PLK to evaluate compliance by Master Franchisee and Franchisees with the Standards in the operation of their Popeyes Restaurants. PLK may require the use of third party vendors approved by PLK to perform such visits and Master Franchisee will engage such vendors to perform the services at Master Franchisee’s sole expense, provided that Master Franchisee may require Franchisees to reimburse Master Franchisee for the costs of such third party vendor with respect to their Franchised Restaurants (without any mark-up or other charges);
- 16.1.2 Perform a periodic review of the operational and financial performance of each such Restaurant (which, in the case of multi-unit Franchisees, must be at least semi-annual);
- 16.1.3 Provide ongoing advice about Restaurant operations, accounting cost control and inventory control systems;
- 16.1.4 Communicate new developments, techniques and improvements of PLK in food preparation, equipment, products, packaging and restaurant management;
- 16.1.5 Monitor sales performance and evaluate success of sales building activities;

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- 16.1.6 Develop monthly forecasts for sales and ticket count for each market within the Territory;
- 16.1.7 Ensure customer complaints are dealt with appropriately;
- 16.1.8 Develop yearly business plans with Master Franchisee and Franchisees and formally review such plans on a quarterly basis;
- 16.1.9 Integrate plans proposed by Master Franchisee and Franchisees into overall plan for the market, with a focus on sales and financial performance;
- 16.1.10 Identify opportunities and priorities to ensure proper allocation of existing resources to achieve goals;
- 16.1.11 Provide general consulting advice in order to maintain safe, clean, and high quality Restaurant operations in the Territory;
- 16.1.12 Provide consulting services regarding payroll processing, information technology support and business advice in finance, accounting and treasury activities;
- 16.1.13 Provide advice regarding market planning and targeting; and
- 16.1.14 Evaluate local suppliers to improve terms of supply.

#### **17 SERVICES BY PLK**

- 17.1 PLK shall make the following available for use by Master Franchisee:
  - 17.1.1 the benefit of such new products and cooking techniques as PLK may approve from time to time;
  - 17.1.2 the benefit of PLK's marketing ideas and concepts developed by or for PLK for use by the Popeyes System, provided that all of PLK's obligations to make these elements available shall be limited to the extent that PLK, in its sole discretion, deems them appropriate for use in the Territory, and, where intellectual property rights of third parties are involved, to the extent that such third parties have consented to the use of such rights in the Territory;
  - 17.1.3 advice regarding the choice of Marketing Agency;
  - 17.1.4 the provision of supply quality assurance standards to evaluate and approve the suppliers and distributors proposed by Master Franchisee in the Territory;
  - 17.1.5 collaboration and advice in the preparation of an annual Marketing Calendar in accordance with the Global Marketing Policy;
  - 17.1.6 advice regarding the parameters within which Master Franchisee may from time to time authorize marketing and promotional concepts and materials; and
  - 17.1.7 technical support and advice to enable local suppliers to become Approved Suppliers.

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- 17.2 Notwithstanding anything to the contrary set forth in this Agreement, for a period of six (6) years after the opening of the first Direct-Owned Restaurant in the Territory, PLK will, (a) engage a vendor, at PLK's sole cost and expense, to conduct visits of each Direct-Owned Restaurant three times per year to evaluate Master Franchisee's compliance with the Standards in the operation of such Direct-Owned Restaurant, and (b) use commercially reasonable efforts to cause such vendor to charge the same fee per visit to conduct inspections of Franchised Restaurants as PLK pays for the Direct-Owned Restaurants, which fee, as between PLK and Master Franchisee, shall be the sole responsibility of Master Franchisee at all times; provided that Franchisees may reimburse Master Franchisee for the costs of such third party vendor with respect to their Franchised Restaurants (without any mark-up or other charges).
- 17.3 The contemplated services will be rendered by PLK outside of the Territory. PLK shall make available all of the foregoing to Master Franchisee which shall in turn have sole responsibility for passing on to all Franchisees in the Territory the benefit of the information and guidance provided by PLK.

### **18 DEFAULT AND TERMINATION**

- 18.1 Without prejudice to any other rights or remedies of PLK under this Agreement or at Law, upon the occurrence of any of the following events (each, an "**Event of Default**"), Master Franchisee shall be in default of this Agreement and PLK may, at its election, by written notice to Master Franchisee, terminate the Development Rights or this Agreement in its entirety with immediate effect (but with due regard for the cure periods set forth below, if any):
- 18.1.1 if Master Franchisee (or any Approved Subsidiary) fails to pay to PLK (or its designee) when due any amounts payable under this Agreement in excess of US\$25,000 and does not cure such failure within thirty (30) Days of written notice from PLK;
  - 18.1.2 if Master Franchisee does not receive any portion or all of the Total Equity Contribution on or prior to the applicable payment date set forth in clause 2.17, or if Master Franchisee fails to provide evidence to PLK that each instalment of the Total Equity Contribution has been made on or prior to the applicable payment date set forth in clause 2.17;
  - 18.1.3 if Master Franchisee fails to achieve the applicable Target for any Development Year, subject to the provisions of this Agreement and the Development Schedule;
  - 18.1.4 if Master Franchisee fails to comply with any of the other obligations in clause 6 (*Development Obligations*);
  - 18.1.5 if (i) Master Franchisee assigns, transfers, charges, encumbers, sublicenses or otherwise disposes of this Agreement or the Development Rights granted to Master Franchisee hereunder in violation of clause 21 (*Assignment and Transfer*), (ii) Master Franchisee or any Affiliate thereof duplicates or attempts to duplicate the Popeyes System or any Other Brands owned by PLK or any Affiliate of PLK, (iii) Master Franchisee or any Affiliate thereof violates any of the provisions set forth in clause 19 (*Confidentiality*), or (iv) Master Franchisee acquires an interest in a Competitor or otherwise violates any of the provisions set forth in clause 14 (*Competition*);
  - 18.1.6 if Master Franchisee (including, for certainty, an Approved Subsidiary) fails (i) to pay to PLK (or its designee) when due any amounts payable under the Company Franchise Agreement or any Unit Addendum and does not cure such failure within sixty (60) Days from written notice by PLK, or (ii) to comply in any material respect with the other terms of the Company Franchise Agreement (which failure to comply is not cured within the applicable cure period set forth in the Company Franchise Agreement);

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- 18.1.7 if a Franchisee is in breach of any material term of any Franchise Agreement (excluding any breach cured within the applicable cure period set out in the respective Franchise Agreement) and where such breach is not cured during the applicable cure period, PLK then directs Master Franchisee to terminate the relevant Franchise Agreement and Master Franchisee fails to issue a notice of termination to the Franchisee within thirty (30) Days after PLK notifies Master Franchisee in writing thereof;
- 18.1.8 if Master Franchisee fails to provide in a material respect any of the Services in compliance with the terms and conditions of this Agreement;
- 18.1.9 if Master Franchisee or any Approved Subsidiary seeks any type of relief under the provisions of a bankruptcy or insolvency law; or if Master Franchisee or any Approved Subsidiary becomes insolvent or makes a general assignment for the benefit of creditors or there is a similar arrangement among Master Franchisee's or any Approved Subsidiary's creditors; or any Person files a petition or application seeking to have Master Franchisee or any Approved Subsidiary adjudicated bankrupt or insolvent or if proceedings for a composition with creditors under the applicable Law is instituted by or against Master Franchisee or any Approved Subsidiary, and the action is not dismissed within ninety (90) Days after it is filed; or Master Franchisee or any Approved Subsidiary admits in writing the inability to pay any debts as they fall due; or a receiver or other administrator (permanent or temporary) is appointed over all or any of the assets of Master Franchisee or any Approved Subsidiary; or any administrator or liquidator is appointed over Master Franchisee or any Approved Subsidiary by any competent court or under any Law including under an order for a suspension of proceedings or Master Franchisee or any Approved Subsidiary takes any action to liquidate or wind up;
- 18.1.10 if Master Franchisee (directly or through any Affiliate), challenges the validity of any of the Popeyes Marks or copyright or other Popeyes Intellectual Property Rights or Other Marks;
- 18.1.11 if any information, representation or warranty provided by Master Franchisee or its shareholders to PLK or its Affiliates is materially false or misleading when provided;
- 18.1.12 any wilful and material misappropriation or misuse of the Advertising Fund, Ad Fund Account, Advertising Contributions or any part thereof by Master Franchisee or its designee (including an Approved Subsidiary);
- 18.1.13 if Master Franchisee, or any board member or senior officer of Master Franchisee or any Affiliate thereof engages in any conduct which is materially deleterious to, or could reasonably be expected to have a material adverse effect on the reputation of Master Franchisee, such Affiliate, PLK or the Popeyes brand, and the senior officer or board member is not removed from his or her position within thirty (30) Days after PLK notifies Master Franchisee in writing thereof (it being understood that such person may not be reinstated without PLK's prior written approval);



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- 18.1.14 if Master Franchisee fails to comply in any material respect with any of the other terms, provisions or conditions of this Agreement and fails to rectify the same within sixty (60) Days after PLK notifies Master Franchisee in writing thereof, subject to clause 11.7;
  - 18.1.15 if Master Franchisee fails to comply with clause 2.14 and such failure is not remedied within twenty (20) Days following written notice thereof by PLK to Master Franchisee;
  - 18.1.16 if Master Franchisee (a) fails to form an Approved Subsidiary prior to the date that is nine (9) months after the A&R Effective Date, and/or such Approved Subsidiary fails to execute and deliver to PLK the Company Franchise Agreement prior to the date that is nine (9) months after the A&R Effective Date, or (b) any of THIL, Master Franchisee and/or an Approved Subsidiary opens a Popeyes Restaurant in the Territory prior to the execution of the Company Franchise Agreement;
  - 18.1.17 if the Shareholder or any member of the China Group breaches the Compliance Plan;
  - 18.1.18 if Master Franchisee or an Affiliate thereof directly or indirectly acquires any ownership interest in another RBI Franchisee (whether through the acquisition of assets or Equity Securities of, or by consolidation, merger, reorganization, amalgamation or similar combination with, such RBI Franchisee or any parent holding company thereof), without the prior written consent of PLK; or
  - 18.1.19 if another RBI Franchisee thereof directly or indirectly acquires any ownership interest in Master Franchisee, an Approved Subsidiary or any parent holding company of Master Franchisee (whether through the acquisition of assets or Equity Securities of, or by consolidation, merger, reorganization, amalgamation or similar combination with, Master Franchisee, the Approved Subsidiary or any such parent holding company), without the prior written consent of PLK.
- 18.2 Upon the occurrence of any of the events set out below in this clause 18.2, Master Franchisee may by giving written notice to PLK by registered letter, return receipt required, terminate this Agreement in its entirety before the expiry of the Term:
- (a) if PLK assigns, transfers, charges, encumbers, sublicenses or otherwise disposes of this Agreement in violation of clause 21;
  - (b) if a court or tribunal of competent jurisdiction issues a final and non-appealable judgment determining that the Popeyes Core Mark materially infringes the Intellectual Property Rights of any third party in the Territory and PLK is unable to procure for Master Franchisee the continued right to use the relevant Popeyes Core Mark or a valid substitute thereof in the Territory on substantially the same terms and for the purposes envisaged in this Agreement;
  - (c) if PLK terminates the Company Franchise Agreement in its entirety; or

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- (d) if any circumstance, event or fact leads to (i) a material deterioration in the reputation of the Popeyes brand (other than a deterioration which arises from any act or omission by Master Franchisee or any of its Affiliates); and (ii) as a result thereof, the ultimate parent of PLK (the “**Parent**”) seeks any type of relief under the provisions of a bankruptcy or insolvency law; or if there is an arrangement among the Parent’s creditors; or any Person files a petition or application seeking to have the Parent adjudicated bankrupt and the action is not dismissed within sixty (60) Days after it is filed; or the Parent admits in writing or upon sworn oath the inability to pay any debts as they fall due; or a receiver or other administrator (permanent or temporary) is appointed over all or any of the assets of the Parent; or any administrator or liquidator is appointed over the Parent by any competent bankruptcy court or under any other law including under an order for a suspension of proceedings or the Parent takes any action to liquidate or wind up.

18.3 Master Franchisee, may, pursuant to Article 12 of the Commercial Franchise Administration Regulation promulgated by the State Council of China and effective as of May 1, 2007, terminate this Agreement within seven (7) days after the signing date of this Agreement (“**Termination Period**”). Master Franchisee further acknowledges that the foregoing seven-day Termination Period has been agreed to by PLK and Master Franchisee based on their negotiations and reflects a truthful allocation of risks and liabilities after taking into account all of the relevant factors in entering into this Agreement. In the event that Master Franchisee elects to terminate this Agreement pursuant to this clause 18.3:

18.3.1 Master Franchisee shall, within the foregoing Termination Period, send the original copy of a written notice to terminate this Agreement (“**Termination Notice**”) to PLK by hand-delivery or registered air mail, postage fully prepaid. Master Franchisee shall clearly state its decision to terminate this Agreement in such Termination Notice, which shall be signed by the legal representative of Master Franchisee and affixed with the corporate seal of Master Franchisee. This Agreement may be terminated pursuant to this clause 18.3 only after PLK actually receives the original copy of the Termination Notice that meets the foregoing requirements. For the avoidance of doubt, if PLK does not receive the Termination Notice that meets all of the foregoing requirements, this Agreement shall not be terminated and shall continue in full force and effect and be binding upon PLK and Master Franchisee.

18.3.2 If this Agreement is terminated pursuant to this clause 18.3, Master Franchisee shall comply with all relevant responsibilities herein upon termination of this Agreement (including, without limitation, the obligations provided in clause 18.4 below).

18.4 Upon the occurrence of an MDA Termination Event, all rights granted to Master Franchisee under this Agreement shall terminate, subject to the Surviving Provisions. From and after the date of the MDA Termination Event (the “**Termination Date**”) and without prejudice to all other rights and remedies available to PLK under applicable Law or in equity:

18.4.1 Master Franchisee shall have no further right or entitlement to develop, establish and operate new Direct-Owned Restaurants in the Territory without PLK’s prior written approval, which PLK may withhold in its sole discretion.

18.4.2 Master Franchisee shall have no further right or entitlement to license to Franchisees the right to develop, establish and operate new Franchised Restaurants in the Territory, without PLK’s prior written approval, which PLK may withhold in its sole discretion.

18.4.3 PLK and/or its designee may develop, open, operate or approve third parties to develop, open and operate new Popeyes Restaurants in the Territory, and Master Franchisee shall not oppose or otherwise interfere with such business by PLK and/or its designee in any manner whatsoever.

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- 18.4.4 For the avoidance of doubt, if Master Franchisee has entered into any Territory Development Agreements prior to the occurrence of an MDA Termination Event, the Territory Development Agreements shall automatically terminate effective as of the Termination Date. Master Franchisee shall ensure that all Territory Development Agreements shall provide for termination upon the occurrence of an MDA Termination Event.
- 18.5 In the event that PLK, in its sole discretion, determines that Export Control Laws restrict specific activities contemplated pursuant to this Agreement, PLK may suspend performance of this Agreement as may be required to comply with Export Control Laws. Master Franchisee will cooperate with PLK and provide any information or documentation reasonably requested to assist in such determinations. Any act or refusal to act by either Party that is required for compliance with Export Control Laws shall not be considered a breach of this Agreement.
- 18.6 Notwithstanding the occurrence of an MDA Termination Event, (a) the rights and obligations of Master Franchisee under the Company Franchise Agreement shall remain unaffected solely by reason of such termination, and (b) any Franchise Agreements in effect as of the Termination Date (such agreements, the “**Prior Agreements**”) shall remain in full force and effect, and Master Franchisee shall be entitled to continue to receive payments thereunder; provided, however, that (i) the Surviving Provisions shall survive the expiration or termination of this Agreement and remain in full force and effect until the expiration or termination of the last remaining Prior Agreement, and (ii) Master Franchisee shall have no right to renew or extend the term of any Prior Agreement after the expiration date of such Prior Agreement.
- 18.7 After the Termination Date, at PLK’s request, the Parties will work together and use commercially reasonable efforts to establish and agree on a transition plan for the orderly transition of the Services from Master Franchisee to PLK or its designee. The transition period shall commence as soon as practicable following the Termination Date and continue until PLK notifies Master Franchisee that it no longer desires Master Franchisee to provide the Services (such period, the “**Transition Period**”). During the Transition Period, Master Franchisee shall continue to provide the Services to all of the Restaurants in the Territory in accordance with the terms of this Agreement at its sole expense. Should PLK elect or deem it necessary to provide any of the Services during the Transition Period, Master Franchisee shall as far as possible make available to PLK or its designee, at PLK’s cost, those of its staff as are directly suited to be engaged by PLK or its designee in the service roles which it is taking over from Master Franchisee.
- 18.8 Except as otherwise expressly permitted under the Company Franchise Agreement and each Unit Addendum or as otherwise set forth herein, upon termination of this Agreement:
- 18.8.1 All rights of Master Franchisee under this Agreement shall terminate, and Master Franchisee must promptly cease all use of the Popeyes Marks, the Popeyes Domain Names, the Popeyes Intellectual Property Rights and the Popeyes System; promptly cease any sales or distribution of Goods and Services bearing any of the Popeyes Marks or Popeyes Domain Names; promptly discontinue use of letterhead, advertising, invoices, labels or packaging on which any of the Popeyes Marks or Popeyes Domain Names appear or which embody any of the Popeyes Intellectual Property Rights.

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- 18.8.2 Regardless of any dispute among the Parties hereto, including disputes concerning the payment of money, Master Franchisee shall transfer and assign, together with any copyrights thereon, and shall ship or deliver to PLK (or if PLK prefers, to any other entity) all property and materials belonging to or purchased for PLK that are in the possession or control of Master Franchisee, including all materials (whether in paper and/or electronic format) containing the Popeyes Marks, Popeyes Domain Names and the Popeyes Intellectual Property Rights, all manuals, artwork, colour separations, research, Popeyes Advertising Materials and all other materials, layouts, scripts, websites, commercials and computerized data files, Confidential Information and all other information regarding PLK's advertising, sales, market surveys and all rights and claims thereto within thirty (30) Days after the Termination Date, or shall destroy under PLK's supervision all copies thereof, at PLK's option, and allow PLK access to same, it being understood that no extra compensation is to be paid to Master Franchisee for its services in connection with this transfer or access.
- 18.8.3 Master Franchisee must, within thirty (30) Days of the Termination Date, do all things necessary to de-register or transfer to PLK, at PLK's sole discretion and Master Franchisee's sole cost and expense, any domain names registered to or held or used by Master Franchisee which include or incorporate any Popeyes Marks or words substantially identical with or deceptively similar to any Popeyes Marks and any Popeyes Domain Names.
- 18.8.4 If Master Franchisee is unable or fails to execute any document, which is necessary to carry out Master Franchisee's obligations under this clause 18.8 following termination of this Agreement, Master Franchisee hereby irrevocably appoints PLK as its attorney to execute such document on its behalf, with the right to do any and all acts and things reasonably necessary to give effect to such document.
- 18.8.5 All obligations of Master Franchisee under this clause 18.8 must be performed by Master Franchisee at its sole cost.
- 18.8.6 The failure of PLK to terminate this Agreement or the Development Rights upon the occurrence of one or more Events of Default shall not constitute a waiver or otherwise affect the right of PLK to terminate this Agreement or the Development Rights because of a continuing or subsequent failure to cure one or more Events of Default or otherwise limit PLK's right to pursue any and all other remedies available at Law or in equity.
- 18.9 Notwithstanding anything contained in this Agreement to the contrary, so long as the Master Franchisee, or any of its direct and/or indirect holding companies, is a Public Company, Master Franchisee shall not issue and no Person shall Transfer, any of Equity Securities of Master Franchisee, whether directly or indirectly, and whether in one or more transactions, to any Person that is (i) a Competitor; or (ii) a Prohibited Person or any Affiliate thereof who, as a result of such issuance or Transfer, (a) will have the right to nominate and/or appoint a member of the Shareholder Board or any committee thereof, or (b) will obtain the ability to direct or cause the direction of the strategy, management or policies of Master Franchisee (in each case of (a) and (b) a "**Material Change in Ownership**"), and the Parties agree that a Material Change in Ownership shall constitute a material default hereunder and good cause for termination of the Transaction Agreements by PLK. To the extent that Master Franchisee or any of its Affiliates (including the Shareholder) becomes aware of any potential Material Change in Ownership, then Master Franchisee shall promptly inform and consult with PLK and arrange for such Level 2 Background Checks (or other related follow-up on additional due diligence) as may be reasonably required related to the potential transferee and its principals and shareholders to confirm whether such issuance or Transfer would constitute a Material Change in Ownership, and Master Franchisee will be solely responsible for all reasonable costs with respect to Level 2 Background Checks and additional due diligence, if applicable, in connection with the proposed Transfer or issuance of Equity Securities contemplated in this clause 18.9, including attorneys' fees and the costs to engage the Background Check Provider. To the extent Master Franchisee or any of its Affiliates (including the Shareholder) becomes aware of any potential Material Change in Ownership before the proposed Material Change in Ownership is consummated, Master Franchisee will notify PLK in writing of such proposed Material Change in Ownership, and shall provide all information and documentation relating to the proposed Transfer or issuance. Master Franchisee shall use its commercially reasonable efforts to restrict the transfer of Confidential Information relating to operational matters and/or brand know-how to any such potential transferee until the Level 2 Background Checks and additional diligence are completed in accordance with this clause 18.9. If the Shareholder ceases to be a Public Company (or if Master Franchisee ceases to be held directly or indirectly by a Public Company), including in the case of a take-private transaction, the Transfer or issuance of any Equity Securities of the Master Franchisee, directly or indirectly, to any Person that is a Competitor, a Prohibited Person and/or an RBI Franchisee, in either case without obtaining the prior written approval of PLK shall be prohibited. Any transaction attempted without compliance with the terms hereof shall be void and of no effect and shall constitute a material default hereunder and good cause for termination of the Transaction Agreements by PLK.

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## **19 CONFIDENTIALITY**

- 19.1 The term “**Confidential Information**” as used in this Agreement means all confidential and proprietary information of PLK or any of its Affiliates, including without limitation, PLK’s or any of its Affiliates’ trade dress, restaurant and packaging design specifications and strategies, brand standards, any information relating to business plans, branding and design, equipment, operations manuals, including the Confidential Operating Manual, and other Standards, specifications and operating procedures, training material, marketing and business information, marketing strategy and marketing programs, plans and methods, food specifications (including recipes, prepared mixtures or blends of spices and other food products), details of suppliers and distributors, and sources of supply and distribution, sales, contractual and financial arrangements of PLK and its Affiliates and service providers, User Data and all other information and knowledge relating to the methods of operating and the functional know-how applicable to Popeyes Restaurants and the Popeyes System and any other system or brand operated by PLK or any of its Affiliates revealed by or at the direction of PLK or any of its Affiliates to Master Franchisee or any of its Affiliates.
- 19.2 Master Franchisee acknowledges the uniqueness of the Popeyes System and that PLK and/or its Affiliates are making the Confidential Information available to Master Franchisee for the purpose of operating the Restaurants. Master Franchisee agrees that it would be an unfair method of competition for Master Franchisee to use or duplicate or to allow others to use or duplicate any of the Confidential Information. Master Franchisee, therefore, must:
- 19.2.1 at all times, both during the Term and following its termination or expiration, maintain the Confidential Information in strict confidence;
  - 19.2.2 use the Confidential Information only in the operation, franchising and development of the Restaurants;
  - 19.2.3 not disclose the Confidential Information to any Person except those officers, employees and professional advisers of Master Franchisee who have a specific need to have access to it for the operation of the Restaurants or provision of the Services, who have been made aware of the terms on which it has been disclosed to Master Franchisee, and who agree to maintain its confidentiality. Master Franchisee is responsible for any unauthorized disclosure of the Confidential Information by Persons to whom Master Franchisee has disclosed it;

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- 19.2.4 approve internal documents required for all employees of Master Franchisee containing the rules pertaining to the use of Confidential Information and impose an obligation not to disclose the Confidential Information in the employment agreements signed with its employees;
  - 19.2.5 not permit anyone to reproduce, copy or exhibit any portion of the Confidential Operating Manual or any other Confidential Information received from PLK;
  - 19.2.6 if none of this Agreement, the Company Franchise Agreement, any Unit Addenda, or any Franchise Agreement is in effect, return, delete or destroy the Confidential Information received from PLK immediately upon receipt of a request from PLK to do so;
  - 19.2.7 at PLK's request, execute an agreement similar in substance to this clause in a form acceptable to PLK and naming PLK as a third party beneficiary with the independent right to enforce such agreement; and
  - 19.2.8 fulfil all other formalities required under applicable Law in order to ensure the trade secret regime in respect of any information and documents related to the Popeyes System.
- 19.3 Master Franchisee will not disclose the terms and conditions of this Agreement or any other Transaction Agreement to any Person whatsoever, other than Master Franchisee's professional advisors with a need to know such information, without the prior written consent of PLK, which consent may be withheld in PLK's sole discretion.
- 19.4 Master Franchisee agrees that it shall not, at any time, issue any press release or any other statement, broadcast, podcast, advertisement, circular, newsletter or other forms of information in relation to this Agreement, any other Transaction Agreement, including the Company Franchise Agreement or any Unit Addendum or the Popeyes business in the Territory to the public unless the contents of such information release have been approved in writing by PLK prior to dissemination. Master Franchisee must submit a request in writing for approval of PLK for all public relations material (for example, press releases or information statements) relating to any aspect of the Popeyes System, ingredients in menu items, public health issues, nutritional issues, or any other matter which may reasonably be expected to have an adverse impact on the public perception of the brand or reputation of PLK before using any such material, and PLK shall use commercially reasonable efforts to respond to such request for approval within two (2) Business Days.
- 19.5 Notwithstanding the foregoing, "**Confidential Information**" shall not include the following (and, for greater certainty only, in such circumstances the obligations of confidentiality stipulated under this clause 19, as well as the penalties or remedies related to a breach thereof, shall not apply):
- 19.5.1 Information existing in the public domain by or through public use, publication, general knowledge or the like;
  - 19.5.2 Information properly obtained by the receiving party from a third party having no obligation of confidentiality to the disclosing party;
  - 19.5.3 Information legally required to be disclosed pursuant to a subpoena, or order of a court or administrative agency, provided the receiving party immediately notifies the disclosing party of such subpoena or order so that the disclosing party can seek a protective order or take other appropriate action;

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- 19.5.4 Information which can be shown to be properly in the receiving party's possession before receipt from the disclosing party;
- 19.5.5 Information which is disclosed by the disclosing party to a third party without a duty of confidentiality on the third party;
- 19.5.6 User Data shared with or transferred to a third party pursuant to a contractual arrangement contemplated in clause 12.1.6; or
- 19.5.7 Information which is disclosed by the receiving party with the disclosing party's prior written consent.

## **20 INDEMNIFICATION AND INSURANCE**

- 20.1 Master Franchisee shall, at its own expense, defend, indemnify and hold harmless the PLK Indemnified Parties, with counsel reasonably acceptable to PLK, from and against any and all Losses sustained or incurred by the PLK Indemnified Parties, or any one or more of them, based upon or arising directly or indirectly out of any breach of this Agreement or negligent act, error or omission in connection with this Agreement by Master Franchisee or its employees or agents; and any Claim by or liability to any Franchisee in the Territory by reason of any material failure by Master Franchisee to provide Services in accordance with this Agreement.
- 20.2 Without limiting the generality of the foregoing, Master Franchisee shall defend, indemnify and hold harmless the PLK Indemnified Parties from and against Losses arising out of or in connection with one or more of the following:
  - 20.2.1 Master Franchisee's offering or sale of franchises for Franchised Restaurants;
  - 20.2.2 the performance of Master Franchisee under the Company Franchise Agreement, under any of the Territory Development Agreements and the Franchise Agreements, the operation of Direct-Owned Restaurants and Franchised Restaurants, including any action taken by Master Franchisee to enforce compliance by Franchisees with the obligations under the Franchise Agreements, and any product liability Claims;
  - 20.2.3 the quality or quantity of advertising or promotional materials produced and paid for from the Advertising Fund, to the extent not substantially compliant with this Agreement;
  - 20.2.4 any material prepared or supplied by Master Franchisee or any Affiliate thereof under this Agreement or any material prepared or supplied by PLK for a market other than the Territory that PLK has made available to Master Franchisee for use in the Territory, including, but not limited to, Claims, causes of action and suits alleging libel, slander, defamation, invasion of privacy, plagiarism, piracy, idea or trade secret misappropriation, trademark or copyright infringement, other violations of intellectual property rights or any other failure of Master Franchisee or any Affiliate thereof to comply with any applicable Laws, notwithstanding the fact that the material may have been approved by PLK (hereinafter, "**Intellectual Property Claims**"), but excluding any Intellectual Property Claims relating to ownership and validity of the Popeyes Marks or the Popeyes Domain Names;

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- 20.2.5 any failure of Master Franchisee or its designee (including an Approved Subsidiary) to properly manage the Advertising Fund in accordance with this Agreement, the Company Franchise Agreement and the Franchise Agreements, including any misappropriation or misuse of the Advertising Fund, Advertising Contributions or any part thereof by Master Franchisee or its designee;
  - 20.2.6 deceptive or fraudulent activities, corporate malfeasance, negligence or misconduct in connection with Master Franchisee's performance under this Agreement, which is determined by a final court judgment or arbitral award;
  - 20.2.7 any material Claim, action or demand of any kind or nature whatsoever brought by any employee, agent, subcontractor or independent contractor of Master Franchisee, any employee of any agent, subcontractor or independent contract of Master Franchisee, or an Affiliate thereof;
  - 20.2.8 any Claims by a Franchisee that the development of a new Restaurant has encroached upon any of its Restaurants, resulted in reduced sales and/or profitability or otherwise caused damage or harm to any such Restaurant or the Franchisee;
  - 20.2.9 any injury or death to natural persons, or injury or damage to property, during the rendering of Services required of Master Franchisee hereunder, if it is ruled by a final court judgment or arbitral award that such injury occurred in whole or in part as a result of acts of Master Franchisee or its employees or agents, whether said loss is sustained by PLK or any other Person(s) or third parties;
  - 20.2.10 any failure of Master Franchisee or any of its Affiliates to properly remit any tax payments required hereunder.
- 20.3 Master Franchisee's indemnification obligations hereunder shall be in effect from the A&R Effective Date and shall survive the termination of this Agreement and continue for one (1) year after the expiry of the statute of limitations applicable to any such Claim on the condition that a matter covered by this indemnity has arisen before the termination of this Agreement.
- 20.4 The right to indemnity hereunder shall exist notwithstanding that joint or several liability may be imposed upon the PLK Indemnified Parties by statute, ordinance, regulation or judicial decision. Master Franchisee's obligation to defend and indemnify the PLK Indemnified Parties is separate and distinct from its obligation to maintain insurance under this Agreement and the Company Franchise Agreement, and is not limited by the amount of insurance required by PLK under this Agreement and the Company Franchise Agreement.
- 20.5 Notwithstanding the foregoing, no PLK Indemnified Party shall be indemnified or held harmless from any Losses to the extent that such Losses result from the negligence or willful misconduct of any such PLK Indemnified Party, as determined by a court of competent jurisdiction pursuant to a final and unappealable judgment (a "**Final Judgment**"), provided that (i) if Master Franchisee has assumed the defense of the Claim, Master Franchisee will advance all costs and expenses in connection with the defense of the Claim as such costs and expenses are incurred until such time as there is a Final Judgment, (ii) if the PLK Indemnified Party assumes the defense of the Claim, Master Franchisee will pay all costs and expenses in connection with the defense of the Claim as such costs and expenses are incurred until such time as there is a Final Judgment; and (iii) if the Final Judgment determines that any PLK Indemnified Party has contributed to the Losses through its own contributory negligence or willful misconduct, PLK shall repay to Master Franchisee a portion of the amount advanced by Master Franchisee or paid to the PLK Indemnified Party in proportion to the degree of contributory negligence of such PLK Indemnified Party, as determined in such Final Judgment.



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- 20.6 Notwithstanding anything to the contrary in this clause 20, any sum recovered by the relevant PLK Indemnified Party through insurance or otherwise (less any reasonable out-of-pocket expenses incurred by such PLK Indemnified Party in recovering the sum and any tax attributable to or suffered in respect of the sum recovered) will reduce the amount of the Losses in respect of which a Claim can be made under clause 20.1 or clause 20.2 by an equivalent amount.
- 20.7 PLK shall advise Master Franchisee if it receives notice that a Claim has been or will be filed with respect to a matter covered by this indemnity and provide Master Franchisee with such information as Master Franchisee may reasonably require to assume the defense of the Claim. In such event, Master Franchisee shall be given the opportunity to assume the defense thereof with counsel reasonably acceptable to PLK, and PLK shall have the right to participate in the defense of any Claim against PLK that is assumed by Master Franchisee at PLK's own cost and expense. PLK and Master Franchisee shall consult with counsel in connection with any proposed settlement to assess and determine the viability of any Claim and the appropriate amount of the proposed settlement. Master Franchisee shall not, without the prior written consent of the applicable PLK Indemnified Parties, settle, compromise or offer to settle or compromise any such Claim unless the terms of such settlement provide for (a) a full and unqualified release of the PLK Indemnified Parties, (b) no admission of liability, fault or violation of Law or contract, and (c) no relief other than payments of monetary damages that are not to be paid by the PLK Indemnified Parties, subject to clause 20.5.
- 20.8 Notwithstanding the foregoing, at PLK's option, PLK may hire attorneys of its own choice, to manage and defend any Claim, at Master Franchisee's cost, risk and expense; provided, however, that PLK will not consent to the entry of any judgment or enter into any settlement without Master Franchisee's prior written consent, which consent will not be unreasonably withheld or delayed.
- 20.9 For as long as this Agreement remains in effect and for three years thereafter (which may be satisfied by a prepaid tail policy), Master Franchisee shall maintain the following insurance:
- 20.9.1 Commercial General Liability coverage on a per occurrence form, that includes broad form coverage for "contractual liability," "property damage," "products liability," "bodily injury," "advertising injury," and "personal injury" liability as those terms are defined in Insurance Services Office (ISO) Form CG00-01 or its equivalent. The policies shall provide the minimum limits of no less than the amounts set forth below, contain a waiver subrogation in favour of the PLK Indemnified Parties, and name as additional insureds by policy endorsement the PLK Indemnified Parties. Advertising injury coverage provided under the Commercial General Liability insurance must include coverage for Claims arising out of or related to: (i) invasion or infringement or interference with the right of privacy or publicity, whether under common law or statutory law; (ii) infringement of copyright or trademark, whether under statutory or common law; (iii) libel, slander or other forms of defamation; and (iv) plagiarism, piracy or unfair competition resulting from the alleged unauthorized use of titles, formats, ideas, characters, plots, performers, or other material.

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- 20.9.2 Workers' Compensation coverage that includes all coverage required under the laws of each province or part of the Territory in which Master Franchisee conducts business operations in any way related to the PLK Indemnified Parties and should contain a waiver subrogation in favour of the PLK Indemnified Parties.
- 20.9.3 Prior to the opening of the first Franchised Restaurant, Error and Omissions or Advertising Agency Professional Liability Insurance insuring the contractual liability assumed by Master Franchisee under this Agreement, with respect to Intellectual Property Claims. The policy shall provide the minimum limits of no less than the amounts set forth below, contain a waiver subrogation in favour of the PLK Indemnified Parties, and name the PLK Indemnified Parties as additional insureds by policy endorsement.
- 20.9.4 All risks property insurance, providing coverage for fire, lightning, explosion, windstorm, typhoon, flood and earthquake or other natural or man-made disaster, shall be maintained for the full replacement value of a Direct-Owned Restaurant which is sufficient to satisfy any co-insurance clause contained in the policy, provided that where the Direct-Owned Restaurant is a leasehold, cover rental insurance shall not be required.
- 20.9.5 Business interruption insurance to insure Master Franchisee for losses incurred as a result of business interruption, providing coverage for fire, lightning, explosion, windstorm, typhoon, flood, earthquake or other natural or man-made disaster, which causes the Direct-Owned Restaurant (or any part of them) to be closed for a period of time. Such business interruption insurance policy will, at a minimum, provide a level of coverage to Master Franchisee sufficient for Master Franchisee to be able to pay to PLK, on a monthly basis, the estimated Royalty Fees that Master Franchisee would have been obligated to pay had the business interruption not occurred. The foregoing amount is calculated by taking the average monthly Gross Sales of the Direct-Owned Restaurant(s) over the twelve (12) months immediately preceding the date of the business interruption (or in the case where the Direct-Owned Restaurant has not been open for twelve (12) months, Master Franchisee's estimate of the average monthly Gross Sales) and multiplying such number by the Royalty Percentage.
- 20.9.6 All insurance policies required pursuant to this Agreement shall provide the minimum limits of no less than the amounts set forth below and shall not be sub-limited with respect to PLK, Affiliates of PLK or this Agreement. Additionally, the policies shall contain a waiver of subrogation in favour of the PLK Indemnified Parties, and name as additional insureds by policy endorsement the PLK Indemnified Parties. Further, all insurance shall be provided on a primary basis and shall not seek contribution from any separate insurance maintained by PLK or any PLK Affiliates, regardless of the "other insurance" or similar provisions of the respective policies of insurance. All insurance coverage required herein shall be provided by an insurance company or companies with minimum AM Best ratings of "A(X)" or "A10", where "A" is the Financial Strength Rating ("FSR") and (X) or (10) is the Financial Size Category ("FSC"). In the event that an AM Best rating is not available, a minimum Standard and Poor's FSR of "A" and an FSC (surplus) at least equal to an AM Best rating of "X" is required, which may be supplied by a PLK approved credit rating agency. Each policy shall provide for thirty (30) Days' notice to PLK from the insurer by registered mail, return receipt requested, in the event of any unrestricted prior written notice of cancellation, non-renewal or change in coverage.

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- 20.9.7 Each and every policy required pursuant to this Agreement, except as noted, shall have maximum deductibles of Fifty Thousand Dollars US\$50,000 subject to approval by PLK and shall have the coverage limits set out in Schedule 7.
- 20.9.8 The addition of the PLK Indemnified Parties as additional insureds or its equivalents shall be effectuated through an endorsement to Master Franchisee's insurance policies, without any language of limitation affecting coverage. All certificates of insurance and policy endorsements required herein shall be provided by Master Franchisee to PLK at 8 Cross St, Manulife Tower, #28-01/07, Singapore 048424, with a copy to General Counsel at 5707 Blue Lagoon Drive, Miami, FL, 33126 (or to the address of the third party designee of PLK) in the manner required for written notices hereunder, or to such other address as may be designated by PLK. All policies must be renewed, and a renewal certificate of insurance must be provided to PLK or its designated agent prior to the expiration date(s) of the policies.
- 20.9.9 Master Franchisee must not do nor omit to do any act which is or may render any of the insurance policies void or voidable. If PLK determines that a particular insurer is unacceptable to PLK and so notifies Master Franchisee, Master Franchisee will use all reasonable efforts to obtain alternative or additional insurance from an insurer acceptable to PLK prior to the expiration of the relevant policy and furnish to PLK certificates of insurance evidencing that such alternative or additional insurance coverage is in effect. The insurance afforded by the policy or policies required under this Agreement shall be primary and not contributory with PLK's insurance and shall not be limited in any way by reason of the insurance which may be maintained by PLK.
- 20.9.10 Master Franchisee shall require its Affiliates to, and use best efforts to require all third party subcontractors and suppliers to, maintain insurance coverages consistent with the requirements and amounts set forth in this clause 20.
- 20.9.11 Master Franchisee's failure to secure and maintain proper insurance coverage for itself and its Affiliates as required in the preceding sub-clause, or failure to use reasonable efforts to ensure that all of Master Franchisee's third party subcontractors and suppliers have the proper insurance coverage as required in the preceding sub-clause, will not relieve Master Franchisee of its responsibility to indemnify and defend a PLK Indemnified Party, and shall, of itself, constitute a material breach of this Agreement.

## **21 ASSIGNMENT AND TRANSFER**

- 21.1 Except with respect to assignment or transfer to a wholly-owned subsidiary or parent company that owns all of the interests in Master Franchisee (which subsidiary or parent company, as applicable, must be, and remain during the Term, a single-purpose entity, the business of which is limited to the development, operation and servicing of Popeyes Restaurants and any activities ancillary thereto), this Agreement and the Development Rights granted to Master Franchisee may not be sold, assigned, transferred, leased, licensed or sub-licensed, charged, mortgaged, pledged, hypothecated, encumbered or otherwise disposed of, whether directly or indirectly ("**Transferred**") by Master Franchisee, in whole or in part, voluntarily or involuntarily by operation of law or otherwise, nor shall Master Franchisee have any right to sub-license any of the rights granted under this Agreement except as expressly provided herein, nor shall Master Franchisee be permitted to subcontract the whole or any substantial part of its obligations under this Agreement, or to transfer any material assets that are necessary for Master Franchisee or any Affiliate thereof to operate its Direct-Owned Restaurants or fulfil its other material obligations under any of the Transaction Agreements or Franchise Agreements, without the prior written consent of PLK, which consent may be withheld at PLK's sole and complete discretion. Any Transfer described in this clause 21.1 without compliance with the terms hereof shall be void and of no effect.

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- 21.2 In the event that PLK sells, transfers, assigns, licenses or otherwise conveys the rights to the Popeyes Marks, Popeyes Domain Names and/or Popeyes Intellectual Property Rights previously licensed by PLK for the operation of the Popeyes System in the Territory to any Person (an “**IP Transferee**”), PLK shall assign this Agreement, and all the rights and obligations of PLK hereunder, to such IP Transferee, in which case the IP Transferee shall license such intellectual property to Master Franchisee as contemplated in this Agreement, and Master Franchisee’s rights and obligations hereunder shall remain in full force and effect. Subject to the foregoing, PLK may transfer or assign this Agreement, and all of the rights and obligations of PLK hereunder to (a) an Affiliate of PLK or (b) an IP Transferee, and each of Master Franchisee, the JVC and the Shareholder hereby grants its prior and irrevocable consent to such assignment, and waives any requirement of prior notice. PLK will provide Master Franchisee, the JVC and the Shareholder with formal written notice of the assignment within fifteen (15) Days following its completion. Master Franchisee, the JVC and the Shareholder shall take all such actions as PLK shall reasonably require or as required by applicable Law to effect such transfer.

## 22 CURRENCY, EXCHANGE CONTROL AND TAXATION

- 22.1 All payments to PLK required under this Agreement shall be made in US\$ (the “**Required Currency**”) into such bank account in Singapore, or such other place as PLK shall designate (the “**Required Country**”). Master Franchisee shall, at its expense, make all necessary and appropriate applications to such Authorities as may be requested by PLK or as may be required by Law for transmittal and payment of the Required Currency to PLK. Such payment shall be made by such method as PLK may from time to time stipulate. Each conversion from the RMBand/or MOP (“**Local Currency**”) to the Required Currency shall be made at the Conversion Rate for the purchase of the Required Currency as of the last bank trading Day of the month on which the payment is based, or in the case of the Direct-Owned Restaurant Unit Fee and Franchised Restaurant Unit Fee, as of the close of business on the last bank trading Day preceding the invoice date for the respective Direct-Owned Restaurant Unit Fee and Franchised Restaurant Unit Fee. At Master Franchisee’s request, PLK will provide Master Franchisee with confirmation of the applicable Conversion Rate. To the extent such application to the Authorities is denied or the convertibility of each Local Currency to the Required Currency is insufficient to make any of the required payments to PLK pursuant to this Agreement, Master Franchisee undertakes and agrees to pay such monies in the Required Currency from Master Franchisee or its subsidiaries’ global assets.
- 22.2 As and when any consent is required under any applicable Law for the remittance of royalties and other payments to PLK or to an Affiliate of PLK nominated by PLK, Master Franchisee will at its own expense make all necessary and appropriate applications to such Authorities as may be necessary or desirable to facilitate the transmittal and payment of sums due under this Agreement in accordance with the time frames set forth herein.
- 22.3 In the event that Master Franchisee shall at any time be prohibited from making any payment in US\$ outside of the Territory, Master Franchisee shall immediately notify PLK of this fact and such payment shall thereupon be made to such place and in such currency as may be selected by PLK and acceptable to the appropriate Authorities, all in accordance with remittance instructions furnished by PLK. The acceptance by PLK of any payment in a currency other than that of the Required Currency or in a territory other than the Required Country or a destination as specified by PLK does not release Master Franchisee from its obligation to make future payments in the Required Currency to the Required Country or a destination as specified by PLK.

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- 22.4 If at any time there exists an exchange control, governmental regulation or any Law which prohibits the payment to PLK of the amounts due to PLK under this Agreement, the Company Franchise Agreement and/or any Unit Addendum in the Required Currency and the Required Country (“**Payment Restriction**”), Master Franchisee shall immediately reserve and keep in a separate account such amounts for the benefit of PLK (the “**Reserve Account**”) or, at the option of PLK, pay such amounts in the Local Currency to a Person designated by PLK. For a period of at least six(6) months, PLK and Master Franchisee shall use commercially reasonable efforts to reach an agreement regarding payment of the applicable amounts due to PLK in the Required Currency and the Required Country. If such efforts are not successful after such six (6) month period, PLK and Master Franchisee shall use commercially reasonable efforts over a three (3) month period to agree to form a new master franchisee with the same beneficial ownership as the Master Franchisee (the “**Substitute Master Franchisee**”) and transfer the rights and obligations of Master Franchisee to such Substitute Master Franchisee to permit such payments to resume. If such efforts are not successful after such three (3) month period, PLK and Master Franchisee shall use commercially reasonable efforts to agree to make the payments in an alternative form, including the use of alternative currencies, entrance into new service or delivery contracts, or payment of extraordinary dividends. As soon as the Payment Restriction is no longer in effect, Master Franchisee shall make payments from the Reserve Account to PLK or PLK’s designee in an aggregate amount equal to the amounts subject to the Payment Restriction, less any amounts paid by the Substitute Master Franchisee or in an alternative form, if applicable. Master Franchisee agrees not to make any dividend payments or similar payments to its shareholders until (or simultaneously with) the payment to PLK of all amounts subject to the Payment Restriction, less any amounts paid by the Substitute Master Franchisee or in an alternative form, if applicable. Master Franchisee shall bear all costs associated with the formation of a Substitute Master Franchisee or any alternate method of payment pursuant to this clause 22.4. Notwithstanding the foregoing, in the event that (i) PLK reasonably determines that any other Person similarly situated to Master Franchisee has been able to make payments in the Required Currency notwithstanding the Payment Restriction, has determined the means by which such other Person is making such payments, has given Master Franchisee ninety (90) days to implement the same or similar measures to make payments in the Required Currency, and Master Franchisee continues to be unable to make payments after receiving written notice from PLK, or (ii) the Payment Restriction is in effect for a period of more than three (3) years, PLK may terminate this Agreement immediately upon notice to Master Franchisee.
- 22.5 It is understood and agreed by the Parties that Master Franchisee (including, for certainty, the Approved Subsidiaries) will be responsible for complying with any Indirect Tax obligation in respect of any payment made by Master Franchisee (including, for certainty, the Approved Subsidiaries) pursuant to this Agreement and any and all other tax liabilities except Indirect Taxes arising out of this Agreement will be the responsibility of the Party owing such Taxes. Notwithstanding the foregoing or anything else herein, the Parties have agreed that all amounts payable pursuant to this Agreement by Master Franchisee do not include Indirect Tax and, in the event Indirect Tax applies under either existing law or a future change in statute or interpretation that results in Indirect Tax on such amounts, Master Franchisee will bear the economic burden of such Indirect Tax either through payment of the Indirect Tax to PLK or, if Master Franchisee is required by Law to deduct and pay the applicable Indirect tax to the relevant Tax Authority, Master Franchisee will gross up all amounts payable pursuant to this Agreement by the applicable Indirect Tax and remit payment of the applicable Indirect Tax amount to the relevant Tax Authority, without any deduction from amounts payable under this Agreement. For greater clarity, all payments made under this Agreement shall be made in full, free of any deduction or set off whatsoever, except Withholding Income Tax as required by the applicable Law of the Territory.

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- 22.6 In the event that Master Franchisee (including, for certainty, the Approved Subsidiaries) is required to withhold an amount in respect of Withholding Income Tax liability of a payee as a result of any of the payments set out in this Agreement made by or on behalf of Master Franchisee, Master Franchisee shall withhold from such payments such Withholding Income Taxes as are required by Law and remit payment of all amounts in respect of Withholding Income Tax liability, with all necessary forms, to the applicable Tax Authority in the Territory in accordance with applicable Law. To the extent that any Authority imposes a penalty and/or interest for failure to properly withhold and remit Withholding Income Tax in connection with any payment made by Master Franchisee to PLK, Master Franchisee will be solely responsible for the payment of such penalties and related interest and PLK shall have no responsibility or liability therefor. For the avoidance of doubt, the amount so withheld for Withholding Income Tax shall be deducted from the amount required to be paid by Master Franchisee to PLK hereunder. Master Franchisee shall provide PLK with corresponding receipts from the relevant Tax Authority in the Territory to evidence such payments or amounts withheld to support a Claim against PLK's Singapore (or other country's) income taxes with respect to the taxes withheld and paid by Master Franchisee. In the event a Double Tax Treaty ("DTT") exists between the payor and the payee jurisdiction, the payee will provide the necessary documentation to confirm eligibility to receive the benefits of the DTT by the required due date. Master Franchisee agrees to comply with the requirements of the DTT and file any required documentation with the applicable Tax Authority. Additionally, Master Franchisee agrees to cooperate with PLK by providing PLK with any information requested by PLK from Master Franchisee in order for PLK to comply with the requirements of the DTT.
- 22.7 If there is an exemption in the Territory for the application of Withholding Income Taxes or Indirect Taxes to any payments made by Master Franchisee to PLK or its designee, Master Franchisee will cooperate in good faith with PLK and take all reasonable steps necessary to ensure that PLK or its designee will be eligible for such exemption, including by applying for the exemption with the applicable Tax Authority.

### **23 AUDIT RIGHTS**

- 23.1 During the Term and for one (1) year thereafter, PLK shall be entitled to inspect, and make copies, during normal business hours upon three (3) Business Days' notice (and without giving notice in the case of emergency or suspecting malfeasance) any records and books of Master Franchisee and Master Franchisee must timely make all such books and records available to PLK at PLK's request and deliver any copies of such books and records at PLK's request. PLK shall not exercise this inspection right more frequently than three (3) times during any year. Master Franchisee must permit a representative of PLK to enter its offices and any training facility during normal business hours and without prior notice. PLK shall exercise commercially reasonable efforts to minimize disruption to the normal operation of Master Franchisee's business.
- 23.2 PLK may, on reasonable notice and with such professional assistance as PLK may require, conduct an annual audit at its expense during each calendar year to ensure that Master Franchisee is complying with the Global Marketing Policy and providing the Services in accordance with this Agreement. Master Franchisee must cooperate in the conduct of any such audit, including by complying with its obligations under clause 23.1 and promptly and fully answering any questions and providing any information reasonably required by PLK.

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- 23.3 PLK may from time to time (but not more than once in any 12-month period unless it reasonably believes the circumstances warrant otherwise) require that an audit or review of the business affairs of any member of the China Group is carried out, and shall in such case, be entitled to designate an individual as PLK's representative to carry out such audit or review on its behalf and at its sole cost and expense. PLK's representative shall be entitled to: (a) visit and inspect any premises of the China Group and to discuss the affairs, finances and accounts of the China Group with its officers and directors; (b) access, examine and retain copies (at PLK's sole cost and expense) of any books, records, accounts or other documents and information relating to the affairs of the China Group; provided that such examination shall be done during normal business hours without disruption to the business of the China Group and with reasonable prior notice; and (c) such access and cooperation from each member of the China Group as may be reasonable under the circumstances to facilitate the carrying out of such audit or review.
- 23.4 The Shareholder shall, and shall procure that each other member of the China Group shall, reasonably cooperate with PLK and provide PLK and/or its representatives and consultants with all documents, information, assistance (including reasonable access to the officers and employees of the Shareholder and each other member of the China Group but subject to legal privilege protection) in connection with any ethics or compliance investigations or audits relating to compliance with the Anti-Corruption Laws and/or other laws.
- 23.5 The Shareholder shall provide PLK with copies of the following information in accordance with the Accounting Principles: (a) monthly unaudited consolidated revenue and gross profit reports of the China Group within thirty (30) Business Days after the respective month end; (b) quarterly unaudited consolidated balance sheets and cash flow statements of the China Group within thirty (30) Business Days after the respective quarter end; (c) audited annual consolidated financial statements of the China Group (copying with all relevant legal requirements) which shall be prepared and reported on by the auditors of the Shareholder within a reasonable time and in any event within five (5) months after the end of the Financial Year in question; and (d) an itemized revenue and capital budget for each Financial Year covering each member of the China Group and showing proposed trading and cash flow figures, manning levels and all material proposed acquisitions, disposals and other commitments for that Financial Year.

### **23A ANTI-CORRUPTION LAWS AND COMPLIANCE**

- 23A.1 The Shareholder shall maintain a Compliance Plan, and the Shareholder shall cause each other member of the China Group to adopt such Compliance Plan. By January 15 of each Development Year, the Shareholder shall, upon PLK's request, deliver to PLK a certificate duly executed by the Chief Executive Officer of the Shareholder certifying that each member of the China Group is in compliance with the Compliance Plan and that there has been no breach thereof during the prior Development Year.
- 23A.2 The Shareholder shall, and shall cause each other member of the China Group to, (a) provide anti-corruption training to its employees, officers and directors on a regular basis, and (b) comply with the accounting control provisions (if any) of the Anti-Corruption Laws.
- 23A.3 The Shareholder shall, and shall cause each other member of the China Group to, undertake that neither it, nor any of its Subsidiaries, nor any of their respective directors, officers, agents or employees or any other Person affiliated with or acting for or on behalf of them shall, (a) directly or indirectly, use or offer to use any corporate funds for contributions, gifts, entertainment or other payments relating to political activity, in each case, which are not in compliance with applicable Anti-Corruption Laws; (b) make any unlawful payment to a foreign or domestic government official (including employees of wholly state-owned or partially state-owned entities) or to foreign or domestic political parties or campaigns in violation of any applicable Anti-Corruption Laws; (c) make any bribe, rebate, payoff, influence payment, kickback or other similar payments or establish or maintain any unrecorded funds, in each case, which are not in compliance with all applicable Anti-Corruption Laws; or (d) agree to give any fit or similar benefit to any customer, supplier or other Person in violation of any applicable Anti-Corruption Laws.

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- 23A.4 The Shareholder shall devise and maintain a system of internal accounting controls for itself and other members of the China Group sufficient to provide reasonable assurances that: (a) transactions are executed in accordance with management's general or specific authorization;
- (b) transactions are recorded as necessary (x) to permit preparation of financial statements in conformity with the Accounting Principles or any other criteria applicable to such statements, and (y) to maintain accountability for assets; (c) access to assets is permitted only in accordance with management's general or specific authorization; and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

#### **24 SEVERABILITY**

Each of the Parties agrees that if any provisions of this Agreement may be construed in more than one way, one or more of which would render the provision illegal or otherwise voidable or unenforceable, and one of which would render the provision valid and enforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any Party. It is the intent of the Parties that the provisions of this Agreement be enforced to the fullest extent and should any court or other Authority determine that any provision herein is not enforceable as written in this Agreement, the Parties shall use their best endeavors to amend it consistent with the intent of the Parties so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which the enforcement is sought. Subject to the preceding sentence, the provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in this Agreement, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

#### **25 ENTIRE AGREEMENT**

This Agreement, together with the Company Franchise Agreement and each Unit Addendum entered into pursuant to this Agreement, and the other Transaction Agreements, constitute the entire agreement and understanding of the Parties with respect to the development and franchising of Popeyes Restaurants and related matters set out in the Transaction Agreements and supersedes all prior negotiations, commitments, representations, warranties and undertakings of the Parties (if any) with respect to the development and franchising of Popeyes Restaurants and related matters set out in the Transaction Agreements, whether written or oral, including the Original Agreement. The Parties acknowledge that they are not relying upon any representations, warranties, conditions, agreements or understandings, written or oral, made by the Parties as their agents or representatives, except as herein or therein specified. Neither this Agreement nor any term or provision of it may be changed, waived, discharged, or modified other than in writing and signed by the Parties. If there is a conflict between this Agreement and the Company Franchise Agreement, any Unit Addendum, any other Transaction Agreement, the Standards or any Exhibit or Schedule to this Agreement (other than the Development Schedule), the provisions contained in the body of this Agreement will control. If there is a conflict between the body of this Agreement and the Development Schedule, the Development Schedule will control.

#### **26 NOTICES**

Any notice, demand, request, consent, approval, authorization, designation, specification or other communication given or made, or required to be given or made hereunder, to or by a Party to this Agreement:



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26.1 must be in writing and in English addressed:

(a) if to PLK: PLK APAC PTE. LTD.  
8 Cross St, Manulife Tower, #28-01/07,  
Singapore 048424  
Attention: Head of Popeyes International; and  
Head of Legal, International  
Email: sdean@rbi.com

With a copy to Popeyes Louisiana Kitchen, Inc  
5707 Blue Lagoon Drive  
Miami, FL 33126  
Attention: General Counsel  
Email: **jgranat@rbi.com;**  
**gonzalez1@rbi.com**

(b) if to Master Franchisee **PLKC HK International Limited**  
c/o Cartesian Capital Group, LLC  
505 Fifth Avenue, 15th Floor  
New York, NY 10017

or as specified to the sender by any Party by notice; and

26.2 is regarded as being given by the sender and received by the addressee: (i) if by delivery in person (including by overnight courier service), when delivered to the addressee; (ii) if by certified, return receipt mail, on the earlier of actual receipt or the tenth (10<sup>th</sup>) Day after being deposited in the mail; or (iii) if by email, along with a PDF copy of all relevant attachments, when the sender receives evidence of delivery.

## **27 NON-WAIVER**

The failure or delay on the part of a Party to exercise any right or option given to it under this Agreement, or to insist on strict compliance by the other Party with the terms of this Agreement, shall not constitute a waiver of any terms or conditions of this Agreement with respect to any other or subsequent breach, nor a waiver by the first Party of its right at any time thereafter to require exact and strict compliance with all the terms of this Agreement, nor shall acceptance by PLK of any money paid on behalf of Master Franchisee under this Agreement, under the Company Franchise Agreement, under any Unit Addendum or any other Transaction Agreement following any breach or default by Master Franchisee of any one or more of the terms or provisions of this Agreement, the Company Franchise Agreement, any Unit Addendum or any other Transaction Agreement, whether before or after notice to or knowledge of the breach or default by PLK, constitute a waiver by PLK of such breach or default. The rights or remedies of the Parties set out in this Agreement are in addition to any other rights or remedies which may be granted by law.

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## **28 RELATIONSHIP OF PARTIES**

For purposes of this Agreement, Master Franchisee is an independent contractor and is not an agent, partner, joint venturer or employee of PLK, and no express or implied fiduciary relationship exists between Master Franchisee and PLK by virtue of this Agreement. Master Franchisee shall not, nor shall it attempt to, bind or obligate PLK in any way nor represent that it has any right to do so.

## **29 GOVERNING LAW & JURISDICTION; LANGUAGE**

- 29.1 This Agreement and any non-contractual obligations, performance or liabilities arising out of or in connection with this Agreement is governed by and construed in accordance with the substantive Laws of New York without regard to conflicts of law principles. The United Nations Convention Contracts for the International Sale of Goods of 11 April 1980 is hereby waived and excluded from application to this Agreement.
- 29.2 If any dispute, controversy or Claim, in law or equity, arises out of or in connection with this Agreement or the business relationship created thereby, including the breach, termination or invalidity of this Agreement or any non-contractual obligations or liabilities arising out of, or in connection with, this Agreement (“**Dispute**”), any Party shall serve formal written notice on the other Parties that a Dispute has arisen and describing the nature of such Dispute (“**Notice of Dispute**”).
- 29.3 Any disputing Party may serve notice in writing on the other disputing Party that the Dispute shall be exclusively submitted to final and binding arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce in effect on the date of commencement of the arbitration (the “**ICC Rules**”), which rules are deemed to be incorporated by reference into this clause 29.4. The Parties undertake to each execute and perform, on a timely basis, all such agreements, documents, assurances, acts and things and to exercise all powers and rights available to them, including the giving of all information and documentation reasonably requested, the convening of all meetings, the giving of all waivers and the passing of all resolutions reasonably required to ensure the enforceability of any final award of the arbitrator in any jurisdiction where such enforceability is sought.
- 29.4 Notwithstanding the foregoing, a disputing Party shall be entitled to interim or conservatory measures pursuant to the ICC Rules, including, but not limited to, temporary injunctive relief to preserve or restore the status quo between the parties, if such Party reasonably believes that the timeline set forth in this clause 29 shall materially prejudice such Party.
- 29.5 The arbitral panel shall be composed of one (1) arbitrator to be appointed in accordance with the ICC Rules. Such arbitrator shall be a licensed lawyer or retired judge, in the latter case, who is affiliated with ADR Chambers, and has at least five (5) years of experience handling matters involving the Laws of the State of New York. The arbitrator shall: (i) have the exclusive authority to decide any issues regarding the applicability, interpretation, formation, or enforcement of this Agreement (including determining the arbitrability of any Dispute); (ii) be empowered to grant legal and equitable remedies (including injunctive relief) in connection with any Dispute submitted to arbitration; and (iii) issue a reasoned final award after making a determination on the merits of any such Dispute. The arbitrator shall award the prevailing party in the arbitration the reasonable attorneys’ fees and costs (including expert costs) incurred in connection with the arbitration and any related proceedings to enforce the arbitration award.
- 29.6 The place of arbitration shall be Miami, Florida and the language to be used in the arbitral proceedings shall be English, save that all documents attached to filings submitted to the tribunal do not have to be translated from their original language unless expressly ordered by the arbitrator in consultation with the Parties. All submissions to the arbitrator, save any documents attached to such submissions as set forth in this clause 29.6, shall be submitted in English.

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- 29.7 Any final award entered by the arbitrator shall be the final, binding and exclusive determination of any Dispute submitted to arbitration, and may be entered in any court having jurisdiction and any court where any party to the arbitration or its assets are located. Neither a party to an arbitration nor the arbitrator may disclose the existence, subject matter, content or results of any arbitration without the prior written consent of all parties, unless to protect or pursue a legal right or as may otherwise be required by applicable Law, Canadian or US franchise disclosure requirements, franchise disclosure requirements of the relevant jurisdiction in the Territory (or other foreign equivalent applicable in the circumstances) or disclosure requirements of the US Securities and Exchange Commission, the Ontario Securities Commission or any applicable foreign equivalent, or any stock exchange on which the Equity Securities of a Party or, its Affiliates may be listed or any other Authority.
- 29.8 The ICC Court may, at the request of a party to the arbitration, consolidate two or more arbitrations pending under the ICC Rules into a single arbitration in accordance with the ICC Rules.
- 29.9 The Parties agree that irreparable damage, for which there would be no adequate remedy at law, would occur if any provision of this Agreement were not performed in accordance with the terms hereof and each Party shall be entitled to seek injunctive relief to prevent breaches of this Agreement by the other Party, or to seek to enforce specifically the performance of the terms and provisions hereof, in addition to any other remedy to which a party is entitled at law or in equity. Each of the Parties hereby waives, in any action for specific performance or other equitable remedy (including for injunctive relief), the defence of adequacy of a remedy at law.

### **30 NO THIRD PARTY ENFORCEMENT RIGHTS**

Except as expressly stipulated in this Agreement, this Agreement shall not grant any right to Persons who are not a Party to this Agreement. To the extent this Agreement expressly grants rights to third parties, the parties to this Agreement shall be permitted to change or exclude such rights at any time without the consent of the respective third party.

### **31 SURVIVAL**

The expiry or termination of this Agreement shall be without prejudice to any rights which shall have accrued to a Party prior to the date of such termination or expiry, shall not affect or diminish the binding force or effect of any provisions of this Agreement which expressly or by their nature are intended to survive the expiration or termination of this Agreement and, without limitation shall not release Master Franchisee from the obligation to pay any sum outstanding under this Agreement.

### **32 PARTIES TO THIS AGREEMENT ALL LEGALLY ADVISED**

Each of the Parties to this Agreement acknowledges that it has taken or has had the opportunity to take all such independent professional advice as it deems appropriate, including legal advice and declares that it understands and accepts all of the terms and conditions of this Agreement.

### **33 INTEREST**

Master Franchisee shall pay to PLK interest on any sum overdue under this Agreement, in the currency in which the overdue sum is required to be paid, calculated on a daily basis from the due date until payment in full at the rate of ten percent (10%) per annum. Entitlement to such interest shall be in addition to any other remedies PLK may have. It is acknowledged that the late payment interest payable pursuant to this clause 33 is not a penalty but the Parties' reasonable pre-estimate of the loss incurred by PLK as a result of late payments of amounts due to it under this Agreement.

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### 34 COUNTERPARTS

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or by facsimile shall be an effective mode of delivery.

### 35 SPECIAL COVENANTS

#### 35.1 Regulatory Approval.

35.1.1 This Agreement, the Company Franchise Agreement, and the Unit Addenda are subject to all governmental approvals, registrations or filings required by applicable Law within the Territory (“**Approvals**”). To the extent any Approvals must be obtained to operate the business contemplated in this Agreement, the Company Franchise Agreement, and the Unit Addenda within the Territory, Master Franchisee shall use best efforts to obtain any such Approval at Master Franchisee’s expense, including the modification, amendment or other alteration of this Agreement, the Company Franchise Agreement, or the Unit Addenda as may be required by the relevant Authority. Notwithstanding the preceding provisions of this clause 35.1.1, Master Franchisee agrees not to apply for Approval until after PLK has had an opportunity to review and comment on all materials to be filed with any Authority. PLK shall use commercially reasonable efforts to promptly review and comment on such materials.

35.1.2 In the event that any Approval is required to enable Master Franchisee or any Affiliate thereof to enter any Unit Addendum for a Direct-Owned Restaurant, Master Franchisee shall obtain such Approval at its sole responsibility and cost. Master Franchisee shall provide PLK with copies of such Approvals. Without limitation of the foregoing, if any translations or certifications are required of this Agreement, the Company Franchise Agreement, any Unit Addendum or any license agreement, Master Franchisee shall pay for any costs of complying with such requirements. Master Franchisee hereby agrees to indemnify PLK in relation to all Losses or other amounts incurred by PLK arising from Master Franchisee’s failure to obtain the Approvals set out in this clause 35.1.2.

#### 35.2 Recordal or Registration.

In the event that this Agreement, the Company Franchise Agreement, and/or any Unit Addendum and/or Franchise Agreements shall be recorded or registered with any Authority in the Territory, whether or not such recordal or registration is required by PLK, Master Franchisee or both, Master Franchisee shall bear the costs related to the making of such recordal or registration, including all translation costs, filing fees and attorneys’ fees and expenses reasonably incurred by PLK. If Master Franchisee is directed by PLK to make the recordal or registration, Master Franchisee hereby agrees to indemnify PLK in relation to all costs, expenses, damages, loss or other amounts incurred by PLK arising from Master Franchisee’s failure to do so. Upon termination or expiration of this Agreement for any reason, Master Franchisee will cooperate with PLK as required in order to terminate the recordal of Master Franchisee as a registered user with the Intellectual Property Office (of the Territory).

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### 35.3 Stamp Duty

In the event that this Agreement must be stamped in the Territory, Master Franchisee shall attend to the stamping and shall bear the cost of any stamp duty arising in relation to such stamping as and when due (including any fines or penalties) within thirty (30) Days of execution of this Agreement, or sooner if required under applicable Law. Master Franchisee shall provide evidence to PLK of its compliance with this clause 35.3, including obtaining, at its expense, certified copies for all other Parties to this Agreement.

### 35.4 Anti-Terrorism

Master Franchisee agrees to comply with and to use commercially reasonable efforts to assist PLK in PLK's efforts to comply with Anti-Terrorism Laws. In connection with such compliance, Master Franchisee certifies, represents, and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Master Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Master Franchisee:

- a) certifies that it and its owners, employees, or anyone associated with it are not listed in the Annex to Executive Order 13224. Master Franchisee agrees not to hire or to permit any Franchisees to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex; and
- b) is solely responsible for ascertaining what actions it shall take to comply with the Anti-Terrorism Laws, and Master Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this clause.

Any misrepresentation under this clause or any violation of the Anti-Terrorism Laws by Master Franchisee, its agents or employees constitutes grounds for immediate termination of this Agreement and any other agreement Master Franchisee has entered with PLK or any of PLK's Affiliates.

### 35.5 Language

The language of this Agreement is English. To the extent that any translation from English to any other official language in the Territory may be required of this Agreement or any document or information under it, it shall be at the cost of Master Franchisee, and Master Franchisee shall provide a copy of the translation to PLK on request. In such event, the English version of this Agreement or document or information shall alone govern all matters of interpretation of this Agreement.

**[Signature Page Follows]**

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This Agreement is executed by the Parties as of the day and year indicated on the first page of this Agreement.

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SIGNED by  
Authorized Director  
For and on behalf of  
**PLK APAC PTE. LTD.**

---

SIGNED by  
For and on behalf of  
**PLKC HK INTERNATIONAL LIMITED**

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SIGNED by  
For and on behalf of  
**TH INTERNATIONAL LIMITED**

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SIGNED by  
For and on behalf of  
**PLKC INTERNATIONAL LIMITED**

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**SCHEDULE 1 – List of Competitive Business**

- Chick-fil-A
  - Chicken Cottage
  - Dixie's Fried Chicken
  - Kentucky Fried Chicken, KFC
  - Kennedy Fried Chicken
  - Buffalo Wings
  - Zaxby's
  - Bojangles'
  - Wingstop
  - Church's Chicken (or Texas Chicken)
  - El Pollo Loco
  - Chester's International
  - Dicos
  - CNHLS
  - Pelicana
  - Nene Chicken
  - BHC
  - Cheogajip
  - Kyochon Chicken
  - Hosigi Two Chickens
  - Goopne Chicken
  - Chooks-to-go
  - California Fried Chicken
  - Oporto
  - Red Rooster
  - Bonchon Chicken
  - Nando's
  - Chickeria
  - Chicken Treat
  - Papaye
  - Jollibee
  - Richeese Factory
  - Fried Chicken Master
  - Fat Daddy American Fried Chicken
  - Hot-Star Large Fried Chicken
  - Napoli Fried Chicken
-

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**SCHEDULE 2 – Development Schedule**

Subject to the terms of this Development Schedule and this Agreement:

(a) **Development Years 1-10.** Master Franchisee agrees to develop, open, build, and operate, or license Franchisees to develop, open, build, and operate, on a cumulative basis, at least 1,700 Popeyes Restaurants in the Territory, by the end of Development Year 10, as follows (each a “**Cumulative Opening Target**”):

<b>Development Year</b>	<b>Cumulative Opening Targets</b>
1 (from Original Commencement Date to December 31, 2023)	[****]
2 (from January 1, 2023 to December 31, 2024)	[****]
3 (from January 1, 2024 to December 31, 2025)	[****]
4 (from January 1, 2025 to December 31, 2026)	[****]
5 (from January 1, 2026 to December 31, 2027)	[****]
6 (from January 1, 2027 to December 31, 2028)	[****]
7 (from January 1, 2028 to December 31, 2029)	[****]
8 (from January 1, 2029 to December 31, 2030)	[****]
9 (from January 1, 2030 to December 31, 2031)	[****]
10 (from January 1, 2031 to December 31, 2032)	[****]
<b>TOTAL</b>	[****]

(b) **Development Years 11 – 20.** Subject to clause 6.9 of the Agreement and provided the Agreement remains in full force and effect, by no later than seven (7) months prior to the end of Development Year 10, the Parties will meet and use commercially reasonable efforts to agree upon a development plan for Development Years 11 through 20 (inclusive). During Development Year 11 through 20, Master Franchisee will develop, build and operate, or license Franchisees to develop, build and operate, the number of Restaurants agreed upon by the Parties. If the Parties fail to reach agreement with respect to the number of Restaurants to be developed by Master Franchisees during Development Years 11 through 20 prior to the commencement of Development Year 11, then the number of Restaurants open and operating at the end of each Development Year must increase (net of closures) as compared to the prior Development Year by a minimum of [\*\*\*\*] Restaurants (each, an “**Annual Opening Target**”).





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(c) **General.** The Targets set forth in this Development Schedule are expressed net of closures. Development Year 1 will begin on the Commencement Date and end on December 31, 2023 and each successive Development Year will be the calendar year.

(d) **Extension Period.** Subject to clause 6.9 of the Agreement, by no later than seven (7) months prior to the end of Development Year 19, provided the Agreement remains in full force and effect and Master Franchisee has issued the Extension Notice, the Parties will meet and use commercially reasonable efforts to agree upon a development plan for the Extension Period. During the Extension Period, Master Franchisee will develop, build and operate, or license Franchisees to develop, build and operate, the number of Restaurants agreed upon by the Parties. If the Parties fail to reach agreement with respect to the number of Restaurants to be developed by Master Franchisees during the Extension Period prior to the commencement of the Extension Period, then the number of Restaurants open and operating at the end of each Development Year during the Extension Period must increase (net of closures) as compared to the prior Development Year by a minimum of [\*\*\*\*] Restaurants (each, an “**Extension Period Target**”).

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**SCHEDULE 3**  
**Territory Map**

[\*\*\*\*]

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**SCHEDULE 4**  
**Trademarks**

**REGISTERED TRADEMARKS: CHINA**

Trademark	Status	Application Number	Application Date	Registration Number	Registration Date	Class
BO PAI SI (POPEYES in Chinese) 博派斯	Registered	45170467	04/03/2020	45170467	11/14/2020	43
BO PAI SI (POPEYES in Chinese) 博派斯	Registered	45143379	04/03/2020	45143379	08/21/2021	35
BO PAI SI (POPEYES in Chinese) 博派斯	Registered	50076150	09/25/2020	50076150	12/14/2021	35
BO PAI SI (POPEYES in Chinese) 博派斯	Registered	49822654	09/17/2020	49822654	06/21/2022	30
POPEYES	Registered	93092432	09/29/1993	776871	01/28/1995	42
POPEYES	Registered	16747981	04/20/2015	16747981	09/07/2016	29
POPEYES	Registered	29535240	03/12/2018	29535240	07/21/2021	43
POPEYES	Registered	37601383	04/18/2019	37601383	07/21/2022	43
POPEYES	Registered	50039910	09/25/2020	50039910	08/14/2022	43
POPEYES (Stylized Standing Letters) <b>POPEYES</b>	Registered	45309347	04/10/2020	45309347	03/21/2022	43
POPEYES BO PAI SI (English & Chinese) <b>POPEYES</b> 博派斯	Registered	56358667	05/25/2021	56358667	03/14/2022	43
POPEYES in Chinese (2 character mark) 卜派	Registered	919293	12/21/1996	919293	12/21/1996	29
POPEYES in Chinese (2 character mark) 卜派	Registered	95029456	03/21/1995	931831	01/14/1997	42
POPEYES in Chinese (3 character mark) 伯派鸡	Registered	960096471	08/23/1996	1091140	08/28/1997	29
POPEYES in Chinese (3 character mark) 伯派鸡	Registered	32700154	08/06/2018	32700154	04/14/2019	43
Poppy Standing Design 	Registered	56641238	06/03/2021	56641238	08/07/2022	43
Poppy Standing Design 	Registered	50791055	10/28/2020	50791055	08/14/2022	43

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**SCHEDULE 4A CORE MARKS**

POPEYES	Registered	93092432	09/29/1993	776871	01/28/1995	42
POPEYES	Registered	16747981	04/20/2015	16747981	09/07/2016	29
POPEYES	Registered	29535240	03/12/2018	29535240	07/21/2021	43
POPEYES	Registered	37601383	04/18/2019	37601383	07/21/2022	43
POPEYES	Registered	50039910	09/25/2020	50039910	08/14/2022	43

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**SCHEDULE 5**  
**Permitted Existing Businesses**

Tim Hortons

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**SCHEDULE 6**  
**Core Menu Items**

- Mild Bone-in Chicken
- Spicy Bone-in Chicken
- Mild Chicken Sandwich
- Spicy Chicken Sandwich
- Cajun Fries
- Additional Sides (2)
- Chicken Tenders
- Chicken Nuggets
- Seafood Offering (1)
- At least 3 dipping sauces
- Desserts (2)

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**SCHEDULE 7**  
**Required Insurance**

For as long as this Agreement remains in effect and for three years thereafter (which may be satisfied by a prepaid tail policy), Master Franchisee shall maintain the insurance set out in Section 20. Each and every policy required pursuant to this Agreement, except as noted, shall have maximum deductibles of Fifty Thousand U.S. Dollars (USD\$50,000) subject to approval by PLK and shall have coverage limits of:

- i. Comprehensive General Liability Insurance, including products liability coverage with limits of at least Five Million U.S. Dollars (USD\$5,000,000) per occurrence and Ten Million U.S. Dollars (USD\$10,000,000) per occurrence in umbrella/excess liability coverage, for damage, injury and/or death to persons and damage and/or injury to property;
- ii. Automotive liability insurance, including bodily injury and property damage for all owned, non-owned and hired vehicles: no minimum requirement.
- iii. Worker's Compensation Insurance and Employer's Liability Insurance coverage required under the applicable Laws in the Territory;  
and
- iv. Fidelity/Fiduciary Insurance, in an aggregate amount of not less than Five Million U.S. Dollars (USD\$5,000,000) per occurrence (funded from the Ad Fund); and Master Franchisee shall, upon full execution of this Agreement (and on the policy anniversary dates or as otherwise reasonably requested by PLK), obtain from its insurers certificates confirming that all required insurance coverage is in effect and Master Franchisee shall obtain copies of all endorsements that add the PLK Indemnified Parties as additional insureds to the policies.

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**EXHIBIT A – COMPANY FRANCHISE AGREEMENT**

**-see attached-**



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**EXHIBIT B**

Level 2 Agreed Scope

**FORM OF AGREED SCOPE – LEVEL 2 BACKGROUND CHECK**

- A. Retrieval of corporate structure, registration and ownership information pertaining to each Relevant Person (which is not a natural person), where available, and other company affiliations.
- B. Verification of each Relevant Person’s identifying information, including marital status, where available.
- C. Comprehensive searches of local public record repositories, where available, in an effort to identify adverse information pertaining to the Relevant Persons, be it civil and criminal litigation, adverse regulatory filings, bankruptcy filings, state and federal tax liens or significant monetary judgments.
- D. Source inquiries with local public and industry sources, as appropriate.
- E. Comprehensive searches of a wide range of English-language media sources in an effort to identify instances in which the Relevant Persons have been included in news reports suggesting direct or indirect involvement with bribery, corruption, money-laundering, kickbacks, organised crime, embezzlement and/or fraud.
- F. Searches of the appropriate foreign-language news sources in an effort to identify instances in which the Relevant Persons have been included in news reports suggesting direct or indirect involvement with bribery, corruption, money-laundering, kickbacks, organised crime, embezzlement and/or fraud.
- G. English and, where possible, foreign-language internet research in an effort to identify authoritative information suggesting the Relevant Persons have been involved directly or indirectly with bribery, corruption, money-laundering, kickbacks, organised crime, embezzlement and/or fraud.
- H. Searches of a proprietary, subscription database comprising Politically Exposed Persons (PEPs) and state-owned entities in an effort to identify any nexus on the part of the Relevant Persons with any government agencies and/or high-ranking public officials.
- I. Comprehensive searches of U.S. and international sanction and watch lists for any reference to the Relevant Persons, inclusive of the Office of Foreign Assets Control Specially Designated Nationals list (OFAC SDN), the U.S. Government’s System for Award Management (“SAM”), the FBI Most Wanted Lists and Interpol Red Notices.
- J. Searches of redundant proprietary databases in an effort to identify instances in which the Relevant Persons have been associated with any investigations, indictments, or prosecutions related to enforcement of the Foreign Corrupt Practices Act (FCPA).

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**EXHIBIT C – DEVELOPMENT PROCEDURES FOR FRANCHISED RESTAURANTS**

- 1.1 Master Franchisee must follow the development processes and procedures described in clause 6 above and the additional development processes and procedures set out below in connection with the development of Franchised Restaurants.
- 1.2 With respect to each Franchised Restaurant, the Franchisee must apply for and obtain franchise approval in writing from Master Franchisee (“**Franchise Approval**”). The Franchisee must submit all relevant information and documents to Master Franchisee. As part of the Franchise Approval procedures, the Franchisee must, as a condition to the granting of Franchise Approval, have obtained operational, financial, credit and legal approval as well as Franchisee Site Approval (as defined below) from Master Franchisee.
- 1.3 Master Franchisee must conduct and provide PLK with a Level 2 Background Check on any new Franchisee and all principals thereof. The results of such Level 2 Background Check shall reveal (i) no prior or current criminal activity which would, or would reasonably be expected to, rise to the level of a felony offense, (ii) no evidence of significant moral turpitude or reputational issues, (iii) that the Franchisee or any of the principals thereof have not voluntarily disclosed or admitted to, or have not otherwise been found by a court of competent jurisdiction to have violated, attempted to violate, aided or abetted another party to violate, or conspired to violate, any of the Anti-Corruption Laws, or (iv) the Franchisee or any of the principals thereof, owns, operates or controls a competitor of an RBI brand or is a former or existing franchisee of an RBI brand.
- 1.4 The Franchisee must submit all relevant information and documents to Master Franchisee for any proposed new Franchised Restaurant.
- 1.5 Once Franchise Approval is obtained, the Franchisee shall apply for and obtain approval from Master Franchisee to build a Franchised Restaurant at a particular location within the Territory in accordance with Master Franchisee’s approval procedures (“**Franchisee Site Approval**”). Franchisee Site Approval is a prerequisite to authorization of Master Franchisee to the Franchisee to construct a Franchised Restaurant at a particular location. Master Franchisee shall grant or deny Franchisee Site Approval based on its business judgment, subject to the provisions set forth in clause 6 above. If the Franchisee enters into any legally binding commitment with vendors or lessors of a potential site before Master Franchisee has first given Franchisee Site Approval, then the Franchisee shall bear the entire risk of loss or damage resulting from a subsequent decision of Master Franchisee not to give Franchisee Site Approval. In particular and without prejudice to the generality of the foregoing:
  - 1.5.1 The Franchisee Site Approval application shall contain detailed information regarding the site and the market around the site, including without limitation, a statement regarding the area of the proposed Franchised Restaurant which shall equal or exceed the minimum areas, together with an estimate of sales, and shall use the application format from time to time adopted by PLK applicable to the Territory. The Franchisee shall acknowledge and agree that any site selection assistance provided by Master Franchisee or its Affiliates is not intended and shall not be construed or interpreted as a representation, warranty or guarantee that the site (or any other site) will achieve the estimated sales or otherwise succeed, nor shall any location recommendation made by PLK, Master Franchisee or their respective Affiliates be deemed a representation that any particular location is available for use as a Franchised Restaurant.
  - 1.5.2 Master Franchisee shall not be required to give consideration to any site application unless all information of Franchisee, and Franchisee’s Affiliates (as applicable) reasonably required by Master Franchisee in such application has been fully provided. If Franchisee is aware of any material fact or information which Franchisee (or its Affiliates, as applicable) has not provided for in any forms or other documents to be lodged with any application, Franchisee shall provide such information to Master Franchisee in writing as a supplement to such application.

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- 1.5.3 The following requirements relating to site acquisition and construction shall apply:
  - 1.5.3.1 The Franchisee assumes all cost, liability, expense and responsibility in locating, acquiring and developing the sites and of construction of any Franchised Restaurants to be developed.
  - 1.5.3.2 All Franchised Restaurants shall be constructed, equipped and furnished in accordance with approved plans and specifications included in the Standards. These plans and specifications shall include the architectural design of the building, style, size and interior décor and color schemes, internal and external signage as well as the proposed kitchen layout, service format and equipment. If, and to the extent that, the Franchisee requires architectural and engineering services, it will contract for those services independently at its own expense.
  - 1.5.3.3 Master Franchisee shall notify PLK when a Franchised Restaurant is under construction so that PLK can issue the TH# for the Restaurant. The PLK# number will identify the Franchised Restaurant.
- 1.5.4 The Franchisee shall agree that by granting approval of any site or the approval of any plans and specifications or of any other matter relating to the development of a Restaurant, neither PLK nor Master Franchisee shall be deemed to be making, and no Affiliate of PLK or Master Franchisee or any Person on behalf of PLK or Master Franchisee is or shall be deemed to be making, any representation or warranty relating directly or indirectly to the success or viability of, or any other matter relating to, the Franchised Restaurant and any such representation or warranty is hereby expressly excluded. The Franchisee shall confirm that it has not relied on any warranty, representation or advice that may be given by any Person by or on behalf of PLK, Master Franchisee or their respective Affiliates.
- 1.5.5 Once Master Franchisee has given written Franchisee Site Approval, the Franchisee may proceed to negotiate a lease or other interest in the land or building required to secure the site. As soon as the Franchisee secures such interest it shall notify Master Franchisee accordingly. The Franchisee shall also notify Master Franchisee accordingly if it fails or reasonably believes that it has failed to secure the site.
- 1.5.6 Master Franchisee's approval of the lease or purchase agreement shall be conditioned upon inclusion in the lease or purchase agreement of terms acceptable to Master Franchisee, and Master Franchisee shall have the right to require inclusion of any or all of the following provisions, which will:
  - 1.5.6.1 Allow the Franchisee the right to elect to assign the leasehold interest to Master Franchisee or an Affiliate or franchisee of PLK, in each case, without landlord consent and any increase in rent;

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1.5.6.2 In case of lease of the site, require the lessor to provide Master Franchisee with a copy of any notice of deficiency under the lease sent to the Franchisee, at the same time as such notice is sent to the Franchisee (as the lessee under the lease), and which grants Master Franchisee the right (but not obligation) to cure any of the Franchisee's deficiencies under the lease within fifteen (15) Business Days after the expiration of the period in which the Franchisee has to cure any such default, should the Franchisee fail to do so; and

1.5.6.3 Require that the premises be used solely for the operation of a Franchised Restaurant.

Additionally, at Master Franchisee's request and in such form as Master Franchisee shall require, the Franchisee shall provide evidence of its interest in the site including a copy of any document in or translated into English evidencing such interest.

1.5.7 In determining whether or not to grant any approval referred to in this Agreement including, but not limited to, Franchisee Site Approval, Master Franchisee may have regard to any relevant matter or thing in its sole discretion, including to the protection of the Popeyes System, to its own interests and to the orderly and proper development of Restaurants in the Territory, and the interests of other operators of Popeyes Restaurants in the Territory, or in other areas adjacent to or which may be directly or indirectly impacted by the operation of this Agreement and any Franchise Agreements.

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**EXHIBIT D – PRODUCT APPROVAL NOTICE**

[PLK]

Re: Approved Product:  
Name of Proposed Supplier(s):

Dear Sir/Madam:

Reference is made to the Master Development Agreement dated [ ] [ ] (the “Agreement”) by and among Popeyes Restaurants International (PLK) and [Insert Name of Master Franchisee]. Capitalized terms used but not defined in this Product Approval Notice have the meanings set forth in the Agreement. This is the “Product Approval Notice” referred to in clause 10.3.1 of the Agreement.

This is to advise you that Master Franchisee hereby requests that PLK approve the supplier(s) referenced above (the “Proposed Supplier(s)”) to provide the Approved Products referenced above.

Pursuant to the requirements of clause 10.3.1 of the Agreement, we have enclosed the following:

1. Audit Report of \_\_\_\_\_ with respect to [the/each] Proposed Supplier;
2. Copies of PLK’s Master GTCs (with no changes thereto or with changes that have been approved by PLK) executed by all of the Proposed Suppliers; and
3. Other.

PLK WILL USE COMMERCIALY REASONABLE EFFORTS TO NOTIFY MASTER FRANCHISEE OF ITS DECISION WHETHER TO APPROVE OR DISAPPROVE OF THE PROPOSED SUPPLIER(S) WITHIN 90 DAYS AFTER RECEIPT OF THIS APPROVAL NOTICE. FAILURE BY PLK TO NOTIFY MASTER FRANCHISEE OF ITS DECISION WITHIN SUCH 90 DAY PERIOD SHALL NOT OPERATE AS A DEEMED CONSENT OF THE PROPOSED SUPPLIER(S).

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## **EXHIBIT E – TERMS & CONDITIONS OF SUPPLY OF MARKETING SERVICES**

### Terms and Conditions of Supply/Marketing Services

#### **Operating Procedures.**

1. In conducting Marketing Activities under the Master Development Agreement, \_\_\_\_\_ (the “Company”) shall comply with the provisions of these Terms and Condition of Supply to the extent the Company conducts any Marketing Activities wherein the Company has access to Personal Information of Franchisees, as defined in Appendix A.1 attached hereto and incorporated herein by this reference.
2. In connection with conducting Marketing Activities, the Company may engage Marketing Agencies to provide such services so long as each such Marketing Agency signs an agreement with the Company in the form set forth as APPENDIX A.2, attached hereto and incorporated herein by this reference. The Marketing Agency will provide Marketing Services to the Company pursuant to the terms and conditions of this Agreement and will bill the Company directly for the rendition of such services. In no event will PLK be liable for the financial obligations of the Company or any Franchisee who utilizes the services of a Marketing Agency. The Company shall inform PLK when it will seek to engage an agency to provide Marketing Services. In no event shall any separate agreement with the Company and any Marketing Agency conflict with the terms and conditions of this Agreement and the Company must submit all agreements between the Company and a Marketing Agency to PLK for PLK’s reasonable approval prior to the execution of the agreement by the Marketing Agency and the Company. Upon reasonable approval by PLK of a services agreement between a Marketing Agency and the Company, the Company shall submit a fully executed copy of each such agreement to PLK within ten (10) days of full execution of such agreement. The Company shall not make any amendments to the form of APPENDIX A.2, without the prior written consent of PLK. PLK shall promptly respond to the Company.
3. The Company shall be responsible for handling and responding to in a timely fashion to all unsolicited advertising ideas, proposals, concepts, suggestions or tangible materials submitted to the Company and in doing so shall comply with PLK’s Unsolicited Ideas Policy, as may be modified by PLK from time to time and provided to the Company by PLK
4. In connection with media buying services, the Company shall comply with PLK’s Media Buying Guidelines and will provide proof of performance to PLK, in accordance with PLK’s policies and practices relating to media purchasing, as may be modified by PLK from time to time. Such proof of performance shall be made available to PLK at PLK’s place of business, on reasonable notice.
5. PLK shall not have any liability as to any media, suppliers or other third parties subcontracted by the Company, including to any Marketing Agency, and including further liability for payment of any fees or costs due and owing to such parties pursuant to any agreement between Company and such parties. Company shall include in any contracts it makes with such parties the following legend: “[●] shall be solely liable for payment under this contract. Under no circumstances will PLK be liable to you for payment hereunder.”

Exhibit E

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6. (a) Company shall not contract or subcontract with any of PLK's employees or any Affiliates of such employees without PLK's written approval after prior disclosure of the relationship. Approval shall be obtained from PLK's Legal Director.

(b) Company shall not pay any gratuities, commissions or fees, or grant any rebates, to any employee or officer of PLK, or to any of PLK's Affiliates or franchisees, or any employee or officer thereof, for his or her personal or private benefit, nor favor any such officer, employee or franchisee with gifts, travel or entertainment (other than that which would be considered normal business-related meals) of any substantial cost or value, nor enter into any business arrangements with them which benefit them personally or privately.

(c) In connection with Services provided under this Agreement, Company shall not pay, or procure or authorize a third party to pay, any direct or indirect product or cash allowances, rebates, brokerage fees, finders' fees, commissions or any other consideration of any kind to any third party, including any PLK Affiliate, any franchisee, or any of their representatives or employees, or any other third party associated with such services, except as explicitly provided in this Agreement, or with PLK's written approval, provided that this provision shall not affect Company's payments to its own employees. Subject to the limitations contained in this paragraph, Company warrants and represents that in the event that it receives any allowance, rebate or fee from any third party in connection with this Agreement, the Company will deposit such funds into the Ad Fund.

(d) Company shall comply with the PLK's Vendor Code, attached hereto as Appendix D attached hereto and incorporated herein by this specific reference.

7. In connection with Services provided by Company hereunder, Company shall use its commercially reasonable efforts to obtain the most favorable prices, terms and conditions for all materials, services, media and rights purchased on behalf of the Franchisees. The materials, services, media and rights so acquired will become the property of PLK.

8. (a) Notwithstanding anything herein to the contrary, and subject to any Third Party Rights (as hereinafter defined) all tangible and intangible property or materials developed or prepared by Company pursuant to this Agreement, including, but not limited to, all concepts, plans, sketches, ideas, promotions, commercials, films, photographs, illustrations, transcriptions, software, literary and artistic materials, recommendations, trademarks, service marks, copy, layouts, scripts, artistic materials, finished or unfinished, whether created by Company or a third party supplier, including, but not limited to, a Marketing Agency, or a combination thereof, and all drafts and versions thereof, whether used or unused ("Material"), shall be and remain the exclusive property of PLK. As used herein, "Third Party Rights" means the rights retained by the licensors, creators or owners of intellectual property (including, but not limited to, photographs, video images and sound recordings), as to which a limited use license has been acquired by Company in connection with the development or preparation of Materials. Company acknowledges and agrees that, subject to Third Party Rights, PLK, its employees, subsidiaries, successors, agents and assigns and any others acting with PLK's permission or under its authority, and without any limitations as to time or territory, have the exclusive right to copyright, use, publish, reproduce, alter and prepare derivative works of the Material for art, advertising, trade or any other lawful purpose whatsoever, in or through any media or combination of media, now existing or yet to be invented, and whether Company's Services under this Agreement have been terminated, and without payment of any compensation to Company for the same. Neither Company nor any of its third party suppliers, including, any Marketing Agencies, shall permit any party (other than PLK, Franchisees and others designated by PLK) to use any Material without PLK's prior written permission.

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(b) Without in any way limiting the applicability of this section 8, the Company acknowledges that any material developed by the Company itself pursuant to this Agreement, with the exception of Third Party Rights, is and shall be deemed to be “work made for hire,” and that PLK is and shall be deemed to be the author or creator of such material, and that PLK is the exclusive owner of all intellectual property rights, title and interest, including the copyrights and any and all other intellectual property rights, in and to such material. If, for any reason, any of such materials is not found to have been created as work made-for-hire, or, for any other reason that the Company is the owner of intellectual property rights to such materials, Company hereby assigns (and agrees to assign at the direction of PLK) all its right, title and interest in and to such materials, including the copyrights of such material, to PLK. Company shall execute, acknowledge and deliver to PLK any instruments that, in the sole judgment and discretion of PLK, may be deemed necessary to carry out such assignment, and to protect PLK’s rights in the materials, and otherwise to carry out the purposes and intent of this Agreement (“Assignment Documents”). In the event any Assignment Document is not executed, acknowledged and delivered to PLK, within ten (10) days following a request therefor, PLK is hereby irrevocably granted a power of attorney to execute such Assignment Document on Company’s behalf. If Company executes any contract pursuant to this Agreement for the development of materials and/or ideas, to the extent that such contract is not for the licensing of Third Party Rights, such contract shall provide that no subcontractor or other third party shall have any interest in the property of PLK, including any security interest in any such property.

(c) Company agrees to secure all third party consents, releases and contracts necessary to evidence PLK’s rights (which are subject to Third Party Rights) in any material provided by Company under this Agreement.

(d) Company will not use any trademark, service mark, name, slogan, logo, or domain name developed by Company in materials developed under this Agreement unless Company has received confirmation approving such use from PLK’s trademark counsel. If the marks, name, slogan, logo, or domain name are ultimately used in materials developed by Company, then Company agrees that such marks, name, slogan, logo, or domain name are and shall remain PLK’s sole property. The Company shall not obtain or attempt to obtain, during the Term of this Agreement, or at any time thereafter, any right, title or interest in or to any mark, name, slogan, logo, or domain name owned by PLK or PLK or any other intellectual property used or owned by PLK or PLK.

9. The Company shall safeguard all materials bearing Popeyes Marks and Popeyes Domain Names in its and its third party suppliers’ possession and the Company will be responsible for their loss, damage or destruction. The Company shall exert its commercially reasonable efforts to prevent any loss to PLK marks, name, slogan, logo, or domain name resulting from the failure of proper performance by any third party. Upon PLK’s written request, the Company shall deliver to PLK all props, costumes, wardrobe items and other objects purchased for use in the production of Materials.

10. During the term of this Agreement and for one year thereafter, representatives or agents designated by PLK may, upon reasonable notice and during normal business hours, examine the records and files of the Company, covering the Company’s dealings with Marketing Agencies, production vendors and other third parties. PLK shall have access to the time records of all Marketing Agency employees who work or have worked on the Company account and to cost accounting records of Marketing Agency relating solely to the services performed by Marketing Agency hereunder, except for individual salaries.

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## APPENDIX A.1

### PERSONAL INFORMATION & SECURITY

#### **Definitions**

(a) “Security Breach” means: (1) any act or omission that materially compromises either Personal Information or the physical, technical, administrative, or organizational safeguards put in place by Agency (or its agents or subcontractors) that relate to the protection of Personal Information; or (2) receipt of a complaint in relation to the privacy practices of Agency, a breach or alleged breach of this Agreement or the privacy or data protection policies of Agency that involve Personal Information.

(b) “Personal Information” means information provided by or at the direction of Popeyes Restaurants International GmbH (“PLK”), or to which access was provided in the course of Agency’s performance of the Agreement that: (1) identifies or distinguishes an individual, such as name, signature, address, telephone number, email address, date of birth, device ID, or any other unique identifier as pursuant to applicable law; or (2) that can be used to authenticate that individual including employee identification number, Social Security Number, driver’s license number or other government-issued identification number, passwords or personal identification numbers (PINs), biometric or health data, answers to security questions, or other personal identifiers. PLK employee’s business contact information is not by itself Personal Information. Personal Information qualifies as Confidential Information under this Agreement.

(c) “Highly Sensitive Personal Information” means a person’s government-issued identification number, financial account number, credit card number, debit card number, credit report, or biometric or health data.

#### **Security Breach Notification**

(a) Agency shall notify PLK and the Company immediately of a Security Breach, and in any event within twelve (12) hours, after it becomes aware of such breach and shall provide PLK and the Company with the name and contact information for a primary security contact within Agency who will be available to assist PLK 24 hours per day, 7 days per week in resolving obligations associated with the Security Breach. Agency shall notify PLK and the Company of any Security Breach by e-mailing.

(b) Immediately following such discovery and notification to PLK and the Company, the parties will coordinate with each other to investigate the Security Breach. Agency agrees to fully cooperate with PLK and the Company in PLK’s and the Company’s handling of the matter, including any investigation, providing PLK with physical access to the facilities and operations affected, facilitating interviews with Agency’s employees and others involved in the matter, and making available all relevant records, logs, files, and data reporting or other obligations required by applicable law, regulation, standard, or as otherwise required by PLK and the Company.

(c) Agency shall take immediate steps to remedy the Security Breach at Agency’s expense in accordance with applicable privacy rights, laws, and standards. Agency shall reimburse PLK and the Company for actual costs incurred in responding to and/or mitigating damages caused by a Security Breach.

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(d) Except as may be expressly required by applicable law, Agency agrees that it will not inform any third party (other than applicable law enforcement or as required by applicable law) of any Security Breach without first obtaining PLK's and the Company's prior written consent, other than to inform a complainant that the matter has been forwarded to PLK's legal counsel. Further, Agency agrees that PLK and the Company shall have the sole right to determine: (1) whether notice of the Security Breach is to be provided to any individuals, regulators, law enforcement agencies, consumer reporting agencies, or others as required by law or regulation, or in PLK's and the Company's discretion; and (2) the contents of such notice, whether any type of remediation may be offered to affected persons, and the nature and extent of any such remediation. Any such notice or remediation shall be at Agency's sole cost and expense.

(e) Agency agrees to cooperate with PLK and the Company in any litigation or other formal action against third parties deemed necessary by PLK and the Company to protect its rights.

(f) Agency will promptly use its best efforts to prevent a recurrence of any such Security Breach. Upon PLK's request, Agency shall, at its sole cost and expense, engage a third party security company agreed upon by PLK and Agency, to conduct a security audit and to provide a written security plan to address any issues related to such Security Breach and as otherwise identified in such audit.

#### **Standard of Care**

Agency acknowledges that in the course of its performance of the services, Agency may receive or have access to Personal Information. In recognition of the foregoing, Agency covenants and agrees that:

(a) It will keep and maintain all Personal Information in strict confidence, using such degree of care as is appropriate to avoid unauthorized use, transfer, sharing, or disclosure.

(b) It will use and disclose Personal Information solely and exclusively for the purposes for which such information, or access to it, is provided pursuant to the terms of this Agreement, and will not use, sell, rent, transfer, distribute, or otherwise disclose or make available Personal Information for Agency's own purposes or for the benefit of anyone other than PLK and the Company without PLK's and the Company's express written permission.

(c) It will not, directly or indirectly, disclose Personal Information to anyone outside PLK and the Company including subcontractors, agents, outsourcers and auditors (hereinafter a "Third Party"), without express written permission from PLK and the Company unless and to the extent required by law enforcement or government bodies or as otherwise to the extent expressly required by applicable law or regulations. To the extent Agency discloses or makes Personal Information available to a Third Party, Agency shall remain liable to PLK and the Company for the actions and omissions of the Third Party and shall require pursuant to a written agreement signed by the Third Party that the Third Party complies with the terms and conditions of the Agreement including the data privacy and security requirements terms set forth in this Agreement, as if they were Agency.

Appendix

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### **Information Security**

(a) Agency is responsible for any unauthorized collection, access, use, storage, disposal, or disclosure of Personal Information by its employees, agents or subcontractors under its control or in its possession. Without limiting the foregoing, Agency shall implement and maintain appropriate safeguards to protect the Personal Information that are no less rigorous than accepted industry practices (such as ISO 27001:2013, SOC 2 Type 2, SOC 2 Type 1 or other industry standards of information security) to protect the Personal Information from unauthorized access, destruction, use, modification, or disclosure, as well as with the Payment Card Industry Data Security Standard requirements (PCI DSS).

(b) At a minimum, Agency's information safeguards shall include: (1) secure business facilities, data centers, paper files, servers, back-up systems and computing equipment including, but not limited to, all mobile devices and other equipment with information storage capability; (2) network, device application, database and platform security; (3) secure transmission, storage and disposal; (4) authentication and access controls within media, applications, operating systems and equipment; (5) encryption of Highly Sensitive Personal Information stored on any electronic notebook, portable hard drive, or removable electronic media with information storage capability, such as compact discs, flash drives and tapes; (6) encryption of Highly Sensitive Personal Information when transmitted over public or wireless networks; (7) strictly segregating Personal Information from information of PLK/Company competitors so that both types of information are not commingled on any one system; (8) personnel security and integrity including, but not limited to, background checks consistent with applicable law; and (9) limiting access of Personal Information, and providing privacy and information security training, to Agency's Authorized Employees. "Authorized Employees" are Agency's employees or contractors who have a need to know or otherwise access the Personal Information to enable Agency to perform its obligations under this Agreement, and who are bound in writing by obligations of confidentiality sufficient to protect the Personal Information in accordance with the terms of this Agreement.

(c) Upon PLK's and the Company's written request, Agency will promptly identify all Authorized Employees in writing as of the date of the request. During the term of each Authorized Employee's employment by Agency, Agency will at all times cause such Authorized Employees to strictly abide by its obligations under this Agreement. Agency further agrees that it will maintain a disciplinary process to address any unauthorized access, use or disclosure of Personal Information by any of Agency's officers, partners, principals, employees, agents or independent contractors.

(d) Upon PLK's or the Company's written request, Agency shall provide PLK and the Company with a network diagram that outlines Agency's Information Technology network and all equipment in relation to fulfilling the terms of this Agreement, including: (1) connectivity to PLK and the Company and all third parties who may access Agency's network to the extent the network contains Personal Information; (2) all network connections including remote access services and wireless connectivity; (3) all access control devices (e.g., firewall, packet filters, intrusion detection, access-list routers); (4) any backup or redundant servers, and (5) permitted access through each network connection.

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**Oversight of Security Compliance**

Upon request, Agency shall grant PLK and the Company, or a third party acting on PLK’s or the Company’s behalf, permission to perform an assessment, audit, examination, or review of controls in Agency’s environment in relation to the Personal Information being handled and/or services being provided to confirm compliance with the Agreement, as well as any applicable laws, regulations, and industry standards. Agency shall fully cooperate with such assessment by providing access to knowledgeable personnel, physical premises, documentation, infrastructure, and application software that processes, stores, or transports Personal Information pursuant to the Agreement. In addition, upon request, Agency shall provide PLK with the results of any audit performed at Agency’s sole cost and expense that assesses the effectiveness of Agency’s information security program as relevant to the security and confidentiality of Personal Information shared during the course of this Agreement.

**Injunctive Relief**

Agency acknowledges and agrees that a breach of any data privacy and security obligation set forth in this Agreement may result in irreparable harm for which monetary damages may not provide a sufficient remedy, and as a result, PLK and the Company will be entitled to seek both monetary damages and equitable relief. Further, Agency’s failure to comply with any of the provisions of this Agreement shall be deemed a material breach of the Agreement, and PLK may terminate the Agreement for cause without liability to Agency.

**Indemnity**

Agency will indemnify, defend and hold harmless PLK and the Company, and their parents, subsidiaries and affiliates, and each of their respective officers, shareholders, directors, employees, and agents and all of their successors and assigns from and against any third party claims, suits, judgments, losses, fines, liabilities, assessments and expenses (whether fixed or contingent, and including reasonable attorneys’ fees and expenses) that arise from or are related to any failure to comply with any of Agency’s data privacy and security obligations under the Agreement, or Agency’s gross negligence or wilful misconduct that results in a Security Breach.

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**APPENDIX A.2**  
**TERMS AND CONDITIONS OF SUPPLY AGREEMENT**  
**For**

**Marketing Services for**

**Marketing Agencies**

This Terms and Conditions of Supply Agreement for Marketing Services (as defined below) (the “Agreement”) is entered into and effective as of this day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between \_\_\_\_\_ having a principal place of business at \_\_\_\_\_ (“Client”), and the company identified in the signature block below as “Marketing Agency.”

This Agreement, which includes the attached Terms and Conditions, shall govern Marketing Agency’s provision of Marketing Services (as defined below) to the Popeyes® System (as defined below) in all or any portion of the Territory (as defined below) as of the Effective Date set forth above and shall constitute the agreement between Client and Marketing Agency.

This Agreement shall supersede any Terms and Conditions of Supply previously issued to Marketing Agency and shall apply to any and all Marketing Services provided by Marketing Agency to the POPEYES® System on or after the Effective Date.

In consideration of the designation by Client of Marketing Agency as an approved Marketing Agency to the POPEYES® System and intending to be legally bound, Marketing Agency agrees to the attached Terms and Conditions.

Appendix



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## **TERMS AND CONDITIONS**

### **Definitions.**

1. When used in this Agreement, the following terms have the meanings set forth below:

(a) “*Affiliate*” of a Party means any other corporation, partnership, or individual (i) which directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with such Party; (ii) which beneficially owns or holds 5% or more of the shares of any class of the voting stock of such Party; or (iii) of which such Party beneficially owns or hold 5% or more of the shares of the voting stock. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Party whether through the ownership of voting stock, by contract or otherwise.

(b) “*Franchise Agreement*” means a franchise agreement or license agreement by and between PLK and/or its Affiliate and a Franchisee pursuant to which, among other things, PLK and/or its Affiliates has granted such Franchisee a license to use the Popeyes Marks.

(c) “*Franchisees*” means any and all franchisees operating POPEYES® restaurants in the Territory under a valid Franchise Agreement.

(d) “*Marketing Services*” means all services performed by Marketing Agency pursuant to this Agreement, which shall include advertising, marketing, media buying, public relations, design, development, delivery and implementation of any website and provision of the other deliverables.

(e) “*Parties*” means, collectively, the signatories to this Agreement and their successors and assigns.

(f) “*Party*” means each of the signatories to this Agreement and their respective successors and assigns.

(g) “PLK” means Popeyes Restaurants International GmbH and the franchisor of the *Popeyes*® brand in the Territory.

(h) “*Popeyes*® System” means the system of Client-owned and Franchisee-owned POPEYES® restaurants in the Territory.

(i) “*Territory*” means locations within the de jure boundaries of [X] as specifically defined by Client from time to time.

### **Marketing Agency’s Responsibilities and Compensation.**

2 (a) Marketing Agency, under the terms of this Agreement, shall render undivided loyalty and allegiance to the POPEYES® System and Client in relation to the advertising and promotion of POPEYES® restaurant products and services in the Territory.

(b) Marketing Agency shall exert its best efforts on behalf of Client to perform, as requested by Client Marketing Services. Nothing in this Agreement shall give Marketing Agency the right to perform such services for the POPEYES® System on an exclusive basis. These services will be performed by Marketing Agency, to the extent requested by Client, at the national, divisional, regional and local levels in the Territory. These services shall include the scope of services set forth on **Appendix A**, attached hereto and incorporated herein by this reference. In addition, Marketing Agency shall comply with the provisions of **Appendix B**, attached hereto and incorporated herein by this reference to the extent Marketing Agency provides any Marketing Services to Client wherein Marketing Agency has access to Personal Information as defined on Appendix B. Notwithstanding anything herein to the contrary, Marketing Agency understands that Client shall be solely liable for payment under this contract. Under no circumstances will PLK or its Affiliates be liable to Marketing Agency for payment hereunder.

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(c) Marketing Agency shall be responsible for handling and responding to in a timely fashion all unsolicited advertising ideas, proposals, concepts, suggestions or tangible materials submitted to Client forwarded to Marketing Agency and/ or otherwise submitted directly to Marketing Agency.

(d) If requested by Client to do so in writing, Marketing Agency shall render additional services to Client. The fee and scope of any additional services shall be mutually agreed in writing between the Marketing Agency and Client and such additional services will be reflected in a written amendment to Appendix A of this Agreement, signed between Client and Marketing Agency.

(e) In connection with media buying services, Marketing Agency shall comply with Client's Media Buying Guidelines and will provide proof of performance to Client in accordance with PLK's or its Affiliates' policies and practices relating to media purchasing, as may be modified by PLK and its Affiliates from time to time. Such proof of performance shall be made available to Client at Client's place of business, on reasonable notice.

3. Client shall have the right to request specific Marketing Agency employees and independent contractors to perform the work required pursuant to this Agreement. With respect to any such requested employees or independent contractors, Marketing Agency shall, within a reasonable time of such request (but no later than ten (10) days thereafter), require such requested Marketing Agency employees or independent contractors to begin work under this Agreement and to complete such work by a reasonable date specified by Client. With respect to work performed by independent contractors, Client shall have the right to designate a reasonable date by which such work shall be completed. Client shall also have the right to request the removal of specific Marketing Agency employees and independent contractors from work under this Agreement and Marketing Agency, upon receipt of such request, shall immediately remove any such Marketing Agency employees and/or independent contractors.

4. (a) Marketing Agency shall ensure that all necessary contracts, authorizations or releases have been obtained with or from parties of interest, and with or from those whose names, likeness, testimonials, scripts, songs, lyrics, jingles or similar materials or rights are used in materials prepared under this Agreement. Marketing Agency shall insure that no third party has any ownership interest in materials prepared under the terms of this Agreement, including, but not limited to, any names, slogans, concepts and graphic designs, except "Third Party Rights" (as defined in Section 21(a) hereof) as otherwise agreed to in writing by Client prior to any use of such materials.

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(b) In the event Marketing Agency requires performers for use in broadcast advertising production (“Talent” and collectively “Talents”) under this Agreement, such Talent may be engaged directly by Marketing Agency or through an outside service (“Talent Payment Service”), but in no event shall such Talents be considered Client or Franchisee employees. Marketing Agency shall (or Marketing Agency shall cause the Talent Payment Service, if applicable, to) withhold all legally required taxes for all Talent, and prepare and file all required tax filings. Marketing Agency shall be responsible for the payment of all applicable performing artists’ rates, use and reuse fees, and such other obligations (collectively “Union Obligations”) as may arise out of Marketing Agency’s employment of such Talent. Marketing Agency shall ensure that all agreements with unions relating to services hereunder (collectively “Union Agreements”) shall provide that Marketing Agency (or Talent Payment Service, if applicable) is solely liable for payments to Talent that may become due because of the POPEYES® System’s use of the Talent in the advertising materials. Therefore, Marketing Agency shall indemnify each “Client Indemnitee” (as defined in Section 25(a)) hereof against any loss or expense such Client Indemnitee may sustain (including reasonable attorneys’ fees) resulting from any claim, suit or proceeding made or brought against each Client Indemnitee when such claim, suit or proceeding arises out of obligations under a Union Agreement relating to the production or use of the materials. Marketing Agency must include estimates of Union Obligations in production estimates prior to production.

(c) Talent hired as models for print or other media uses of photography (e.g., Internet, point of sale or packaging) shall be hired as independent contractors and in no event shall they be considered employees of Client and/or any Franchisee.

(d) Marketing Agency shall ensure that all materials prepared or used by it under this Agreement, including all advertising copy, promotions as implemented, and the rules used in any promotion, comply with all applicable local, state, provincial, and national laws, rules and regulations, and all guidelines and standards of applicable public or private agencies, including television networks. Marketing Agency is responsible for obtaining network/broadcast clearance for the benefit of Client and Franchisees of all materials, including slogans and taglines, created or used by Marketing Agency hereunder.

(e) Marketing Agency shall proofread all materials, including those approved in writing by Client, as applicable, which Marketing Agency produces hereunder. Client and Franchisees will not be liable for the payment of any charges or other costs that are the result of mistakes or negligence on the part of Marketing Agency or a third party supplier, including production mistakes in connection with product information. Marketing Agency shall be solely responsible for any costs incurred by Client and/or Franchisees for corrective actions taken by Client and/or Franchisees including, but not limited to, retraction notices as a result of such mistakes.

5. With respect to Marketing Services to be provided by Marketing Agency to Client, Marketing Agency will be compensated for the performance of such services as set forth in **Appendix C**. In no event is Marketing Agency to receive any compensation or commission in connection with space, time or material placed or purchased subsequent to the termination of this Agreement.

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6. Upon the request of Client and/or a Franchisee, so long as such Franchisee have signed a compensation agreement with Marketing Agency in the form set forth as Appendix C, attached hereto and incorporated herein by this reference, Marketing Agency will provide Marketing Services to such Franchisee and will bill the Franchisee directly for the rendition of such services. In no event will Client be liable for the financial obligations of any Franchisee who utilizes Marketing Agency's services. Marketing Agency shall inform Client when it is approached by a Franchisee to perform Marketing Services so that Client may obtain the approval of the compensation terms and the compensation agreement from PLK, prior to Marketing Agency performing any Franchisee-requested services. In no event shall any separate agreement with Marketing Agency and any Franchisee conflict with the terms and conditions of this Agreement and Marketing Agency must submit all agreements between Marketing Agency and Franchisees to Client so that Client can obtain the approval of PLK prior to the execution of the Agreement by Marketing Agency and Franchisee. Marketing Agency shall not provide any services to a Franchisee without a signed agreement between Marketing Agency and the Franchisee that has been pre-approved by PLK. Marketing Agency reserves the right to refuse to provide services to any Franchisee for good business reasons, upon prior written notice to Client. Upon approval by PLK of a services agreement between Marketing Agency and a Franchisee, Marketing Agency shall submit a fully executed copy of each such agreement to PLK within ten (10) days of full execution of such agreement. Marketing Agency shall not make any amendments to the form of **Appendix A**, without the prior written consent of PLK. If requested by a Franchisee to do so in writing, Marketing Agency, subject to PLK prior written approval, shall render additional services to the Franchisee, the fee and scope of any additional services to be mutually agreed to in writing between Marketing Agency and Franchisee.

7. Client and/or PLK shall have the right to evaluate Marketing Agency's performance ("Marketing Agency Performance Evaluation") in any way Client and/or PLK deems appropriate, and Marketing Agency agrees to fully cooperate with such evaluation. The Marketing Agency Performance Evaluation may include any or all of the following: (i) Marketing Agency's performance of its duties and obligations under this Agreement; (ii) Marketing Agency's creative; (iii) Marketing Agency's media strategies; and (iv) consumer response. All of the above-referenced and any other requested information supplied by Marketing Agency to Client and/or PLK will be provided in such form and substance as Client and/or PLK request.

**Operating Procedures.**

8. With respect to all out of pocket third-party vendor expenses, including but not limited to media and production purchases, Marketing Agency shall operate within the budget or estimate provided or approved by Client in performing its obligations under this Agreement. Marketing Agency will obtain Client's prior written approval with respect to all expenditures not included in any budget or estimate provided or approved by Client. Approvals that must be obtained with respect to budgets established by Client shall be obtained from those individuals whose authorization is in accordance with dollar authorization guidelines furnished to Marketing Agency by Client, as amended from time to time. Any commitments for media purchases, production purchases or other expenses made by Marketing Agency, in excess of the budget provided or approved by Client, and without prior approval from Client, shall be settled or paid by Marketing Agency from its own resources and assets, and will not be reimbursed by Client.

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9. Marketing Agency shall furnish to Client (and if requested by PLK) for Client's and/or PLK's approval all advertising, marketing, public relations and promotion materials prepared under this Agreement, including, but not limited to all materials prepared on behalf of Client as well as all materials prepared on behalf of a Franchisee. Requests for the approval of such materials shall be simultaneously sent to the Marketing Director and Legal Director of Client, for approval on behalf of Client. Approval of the materials shall be evidenced by the signatures of a representative of the Marketing Director or his or her designee within the Marketing Department of Client, and the Legal Director of Client or his or her designee within the Legal Department of Client. Client's review and approval of any materials prepared under this Agreement shall not constitute a waiver by Client of Marketing Agency's obligations hereunder. Notwithstanding the foregoing, all materials developed for a Franchisee should also be sent to the Franchisee for review and prior approval.

10. When requested to do so by Marketing Agency in writing, Client shall confirm the accuracy of the information or data supplied by Client concerning claims contained in any advertising materials. Copies of all such requests shall be sent to Client's Legal Director and to Client's Marketing Director. Confirmation of the accuracy of the information or data and approval to use such material shall be made only by Client's Legal Director in writing signed by him or her. It shall be Marketing Agency's obligation to obtain confirmation and accuracy of information or data supplied to Marketing Agency by a Franchisee containing claims contained in any advertising materials for such Franchisee. Client shall have no responsibility for any such data or information.

11. Marketing Agency at all times shall adhere to PLK's and/or its Affiliates' policies and procedures relating to advertising, marketing and/or promotional matters, as may be modified by PLK and/or its Affiliates, from time to time, including, but not limited to, PLK's and/or its Affiliates' policies and procedures with respect to production, pictorial representation, domain name registration, website development and hosting, brand standards, merchandising, and media buying. Client and/or PLK (if PLK so requests) shall have the right to approve all photographing, cinematography and videotaping of food prior to use in any advertising materials to ensure that the standards of said policies are met and that the product is accurately and realistically depicted. Such approval shall be given in writing by Client's Marketing Director and Legal Director. If no such approval is obtained from both of Client's Marketing *and* Legal Departments, Marketing Agency shall be solely liable for any expenses incurred in connection with any subsequent photographing, cinematography or videotaping requested by Client to replace that which was previously done, and shall indemnify, hold harmless and defend each Client Indemnitee from and against any and all claims, losses, damages and lawsuits (including reasonable attorney fees) of any kind or nature which each PLK Indemnitee incurs as a result.

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12. Client reserves the right, in its own discretion and for reasons deemed by it to be sufficient, to modify, reject, cancel, or discontinue any plans, schedules or work, in the event Client notifies Marketing Agency that Client wishes to do so, Marketing Agency will inform Client of any contracts or commitments Marketing Agency is unable to cancel. At Client's request Marketing Agency shall then take steps as promptly as practicable to give effect to Client's instructions. In connection with any such action, Client, if obligated to do so, shall pay Marketing Agency according to the terms of this Agreement for all Client budgeted and approved expenditures to the date of cancellation, including any contracts and commitments Marketing Agency is unable to cancel, and to reimburse Marketing Agency for any cancellation penalties incurred. However, Client will reimburse Marketing Agency for cancellation penalties as set forth above only if (i) Marketing Agency provided Client with written notice prior to the time the agreement providing for such penalties was entered into that such penalties would be incurred upon cancellation; (ii) Client approved in writing entering into such agreement; and (iii) Client is provided, prior to any payments by Marketing Agency, with copies of the contracts or commitments Marketing Agency is unable to cancel and any other documents relating thereto which Client requests.

13. Client shall not have any liability as to any media, suppliers or other third parties subcontracted by Marketing Agency, including liability for payment of any fees or costs due and owing to such parties pursuant to any agreement between Marketing Agency and such parties. Marketing Agency shall include in any contracts it makes with such parties the following legend: "[INSERT MARKETING AGENCY NAME] shall be solely liable for payment under this contract. Under no circumstances will [Insert Client's legal entity name and its Affiliates] be liable to you for payment hereunder."

14. (a) Marketing Agency, acting for Client or at Client's expense shall not contract or subcontract with any of Marketing Agency's subsidiaries or Affiliates, with any of Client's employees or any Affiliates of such employees, or with any of PLK's Affiliates or employees without Client's written approval after prior disclosure of the relationship. Approval shall be obtained from Client's Legal Director.

(b) Marketing Agency shall not pay any gratuities, commissions or fees, or grant any rebates, to any employee or officer of PLK, Client, or to any of their Affiliates or franchisees, or any employee or officer thereof, for his or her personal or private benefit, nor favor any such officer, employee or franchisee with gifts, travel or entertainment (other than that which would be considered normal business-related meals) of any substantial cost or value, nor enter into any business arrangements with them which benefit them personally or privately.

(c) In connection with services provided under this Agreement, Marketing Agency shall not pay, or procure or authorize a third party to pay, any direct or indirect product or cash allowances, rebates, brokerage fees, finders' fees, commissions or any other consideration of any kind to any third party, including PLK, any Client affiliate, any Franchisee, or any of their representatives or employees, or any other third party associated with such services, except as explicitly provided in this Agreement, or with Client's written approval, provided that this provision shall not affect Marketing Agency's payments to its own employees. Subject to the limitations contained in this paragraph, Marketing Agency warrants and represents that it has not paid, is not obligated to pay and shall not pay, any allowance, rebate or fee to anyone in connection with the selection of Marketing Agency to provide services under this Agreement.

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(d) Marketing Agency shall comply with the PLK's or its Affiliates' Vendor Code, attached hereto as **Appendix D**, attached hereto and incorporated herein by this specific reference.

15. Marketing Agency hereby represents, warrants and agrees that:

(a) Neither it nor any of its directors, officers or employees is a Public Official (as defined below), and no Public Official owns or otherwise has any interest in Marketing Agency or this Agreement.

(b) If, during the term of this Agreement, Marketing Agency or any of its directors, officers or employees becomes a Public Official or if a Public Official obtains an interest in Agency or this Agreement, Marketing Agency shall immediately provide written notice to Client of the change in status, and Client will have the right to terminate this Agreement upon written notice to Agency.

(c) In the performance of, and in connection with its activities related to, this Agreement, Marketing Agency will not, directly or indirectly, offer, pay, give, promise to pay or give, or authorize a third party to offer, pay, give or promise to pay or give, any Consideration (as defined below) to any Public Official or political party, except as expressly provided in this Agreement or as otherwise approved in writing by Client. Without limiting the generality of the foregoing, Marketing Agency will not offer, pay, give, promise to pay or give, or authorize a third party to offer, pay, give or promise to pay or give, any Consideration to any Public Official or political party while knowing or reasonably believing that all or a portion of such Consideration will be offered, paid, given or promised, directly or indirectly, to such Public Official or political party for the purpose of (i) influencing any act, omission to act or decision of such Public Official or political party, or (ii) inducing such Public Official or political party to use his or its influence in order to assist PLK or any of its third party service providers to obtain or retain business for or with, or direct business to any third party.

(d) Marketing Agency will fully cooperate in any request for information, including making employees available for interviews, in the event that Client may make such requests.

(e) "PUBLIC OFFICIAL" MEANS (A) AN OFFICER OR EMPLOYEE OF A FOREIGN GOVERNMENT OR ANY DEPARTMENT, AGENCY, INSTRUMENTALITY THEREOF, OR OF A PUBLIC INTERNATIONAL ORGANIZATION, (B) A PERSON ACTING IN AN OFFICIAL CAPACITY FOR OR ON BEHALF OF ANY SUCH GOVERNMENT OR DEPARTMENT, AGENCY OR INSTRUMENTALITY, (C) AN OFFICIAL OF A POLITICAL PARTY, OR (D) A CANDIDATE FOR POLITICAL OFFICE.

(f) "Consideration" means any monies, gifts, payments, allowances, rebates, fees, commissions, political contributions or any other thing of value.

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1. 16. (a) *In connection with Marketing Services provided by Marketing Agency to Client, Marketing Agency shall use its best efforts to obtain the most favorable prices, terms and conditions for all materials, services, media and rights purchased. Purchases of such materials, services, media and rights shall be made by Marketing and Marketing Agency shall be solely liable for the payment of these purchases and, the materials, services, media and rights so acquired will become the property of PLK.*

(b) For all production materials purchased, where such prices are estimated to exceed \$10,000, or if less than \$10,000 when Client so request, Marketing Agency shall obtain three competitive bids in writing from at least two suppliers that are not Affiliates of Marketing Agency. If the lowest bid is not preferred by Marketing Agency (for example, where quality of work reasons exist), Marketing Agency shall present in writing to Client its rationale for recommending a higher bidder. Prior to assignment of the work to such higher bidder, Marketing Agency shall obtain written approval from Client.

**Billing Procedures.**

17. Billings to Client will be rendered in accordance with the terms set forth in **Appendix E**, as amended by Client from time to time.

18. A basic principle of the relationship between Client and Marketing Agency is that neither party shall earn money through the use of the funds of the other party. Neither party shall be liable to the other for any payment of interest, late charges or penalty without agreement of the party to be so charged. Client's funds are to be in Marketing Agency's hands in time for Marketing Agency to meet the payment dates of media and suppliers and to earn any cash discounts offered, in which case Marketing Agency shall be obligated to pay such suppliers by such dates. Invoices for other expenditures and charges submitted to Client will be due thirty (30) days after the date of such invoice.

2. 19. *Marketing Agency shall bill Client promptly for all services performed hereunder by Marketing Agency or its subcontractors (including invoices for the fees set forth in **Appendix C**), and for any materials provided hereunder by any subcontractor or other third-party vendor of Marketing Agency. The cost (other than the fees set forth in **Appendix C**) of materials and services which are ordered by authorized Client representatives shall be invoiced to such representatives by Marketing Agency. In no event shall Client be obligated to pay any invoice received more than three (3) months from the date on which Marketing Agency or its subcontractors complete work on any "Project" (as defined below); provided, however, that the three (3) month limitation shall not apply in the event that (a) failure to meet the time requirement is due to a "force majeure occurrence" (defined below) beyond Marketing Agency's control; or (b) Marketing Agency provides Client with a reason that is acceptable to Client as to why Marketing Agency is unable to meet the three (3) month requirement, in which event, Client in its sole discretion may grant Marketing Agency an extension, the length of time of which is to be determined by Client in its sole and absolute discretion. For purposes of this Section, a "force majeure occurrence" is one resulting from strikes, boycotts, riots, terrorism, war, Acts of God, restraints by governmental authority, fires, accidents or casualties. "Project" as used herein means that service which is defined in the applicable purchase order, Marketing Agency estimate or budget provided or approved in writing by Client.*

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20. In invoicing Client, Marketing Agency shall pass on to Client the full amount of any cash discounts (in dollar amount) as are granted to Marketing Agency by media and suppliers, provided that Client makes payment to Marketing Agency, in accordance with invoices from Marketing Agency to Client, prior to Marketing Agency making payment to media and suppliers within the discount period and provided further that to the extent such discounts are earned by combining Client's volumes with that of Marketing Agency's other clients, Client will only receive its pro rata portion of such discounts based on its volume as a percentage of the combined volumes. Marketing Agency must invoice Client in reasonably sufficient time to allow Client to make such payment to Marketing Agency within the cash discount time period and must advise Client that such discount is available upon timely payment. Marketing Agency will not credit to its own account any commissions, discounts or rebates from any third party or share directly or indirectly in the profits of any third party without the prior consent of Client.

**Ownership/Confidentiality.**

21. During the term of its contractual relationship with Client, Marketing Agency will become familiar with the POPEYES® System's trade secrets and confidential methods of doing business. Accordingly, during the term of this Agreement and for one (1) year after this Agreement's termination, neither Marketing Agency nor any of its subsidiaries will accept any assignments or enter into contracts to perform services for (i) businesses, products or services which are competitive with the POPEYES® System's products or services (each a "Competitive Representation"). Should Marketing Agency accept or undertake any Competitive Representation, Client may immediately terminate this Agreement. Execution of this Agreement by Marketing Agency constitutes a representation by Marketing Agency of its good faith belief that no such Competitive Representation presently exists and its good faith commitment to avoid any such Competitive Representations in the future. Marketing Agency will notify Client immediately, in writing, if any of Marketing Agency's current Client expands its business to include products or services which are competitive with the POPEYES® System's products or services.

22. (a) Subject to any Third Party Rights (as hereinafter defined) all tangible and intangible property or materials developed or prepared by Marketing Agency pursuant to this Agreement, including, but not limited to, all concepts, plans, sketches, ideas, promotions, commercials, films, photographs, illustrations, transcriptions, software, literary and artistic materials, recommendations, trademarks, service marks, copy, layouts, scripts, artistic materials, finished or unfinished, whether created by Marketing Agency or a third party supplier, or a combination thereof, and all drafts and versions thereof, whether used or unused ("Material"), shall be and remain the exclusive property of PLK, provided that (a) all compensation and reimbursable out-of-pocket/third-party expenses have been paid for by Client, according to the terms of this Agreement, or (b) Client has paid into an escrow account held by an escrow agent which is not an Affiliate of either Client or Marketing Agency, any amount that Marketing Agency reasonably claims is owed to it by Client for such compensation and/or reimbursable out-of-pocket/third-party expenses, in the event of any dispute with respect thereto. As used herein, "Third Party Rights" means the rights retained by the licensors, creators or owners of intellectual property (including, but not limited to, photographs, video images and sound recordings), as to which a limited use license has been acquired by Marketing Agency (or supplied to Marketing Agency by Client), in connection with the development or preparation of Materials, with the express written consent of Client. Marketing Agency acknowledges and agrees that, subject to Third Party Rights, PLK has the right to copyright and Client and PLK's employees, subsidiaries, successors, agents and assigns and any others acting with Client's permission or under its authority, and without any limitations as to time or territory, have the exclusive right to use, publish, reproduce, alter and prepare derivative works of the Material for art, advertising, trade or any other lawful purpose whatsoever, in or through any media or combination of media, now existing or yet to be invented, and whether Marketing Agency's services under this Agreement have been terminated, and without payment of any compensation to Marketing Agency for the same, except as specifically provided in **Appendix C** hereto. Neither Marketing Agency nor any of its third party suppliers shall permit any party (other than Client, PLK and its Affiliates) to use any Material without Client's written permission.

Appendix

CERTAIN PORTIONS OF THE EXHIBIT THAT ARE NOT MATERIAL AND IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL HAVE BEEN REDACTED PURSUANT TO ITEM 601(b)(10)(iv) OF REGULATION S-K. [\*\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.

(b) With respect to services provided by Marketing Agency hereunder, Marketing Agency acknowledges that it has no right to use PLK's and/or its Affiliates' intellectual property, including, but not limited to, PLK and/or its Affiliates' trademarks, service marks, copyrights, and domain names ("PLK Intellectual Property"), without PLK's prior written consent. If requested to do so by PLK in writing, Marketing Agency shall submit to PLK as set forth in Section 9 above, for PLK's prior approval all advertising, promotional or other materials created by Marketing Agency in connection with Marketing Agency's provision of services to Client, a minimum of twenty (20) business days prior to their planned release to the public.

(c) Marketing Agency shall not use or display the PLK Intellectual Property in a manner that is detrimental to the interests of PLK or its Affiliates. Marketing Agency admits the validity of the PLK Intellectual Property and covenants that it shall in no way contest or deny the validity of, or the right or title of PLK or its Affiliates in or to the PLK Intellectual Property and shall not encourage or assist others directly or indirectly to do so, during the lifetime of this Agreement and thereafter. Any unauthorized use of the PLK Intellectual Property by Marketing Agency shall constitute a material breach of this Agreement and an infringement of the rights of PLK in and to the PLK Intellectual Property. Upon termination of this Agreement, Marketing Agency shall immediately terminate all use of the PLK Intellectual Property in every manner whatsoever.

(d) Marketing Agency acknowledges and agrees that, except as expressly provided herein, no right property, license, permission or interest of any kind in or to the PLK Intellectual Property is or is intended to be given or transferred to or acquired by Marketing Agency by the execution, performance or non-performance of this Agreement or any part hereof. All use of the PLK Intellectual Property by Marketing Agency will inure to the benefit of PLK and its Affiliates.

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(e) Marketing Agency shall place PLK's and its Affiliates' copyright and trademark notices on all materials prepared by Marketing Agency hereunder which utilize the PLK Intellectual Property. Placement of the PLK copyright and trademark notices shall be in such locations and styles as Client may direct.

(f) Without in any way limiting the applicability of this Section 22, Marketing Agency acknowledges that any Material developed by Marketing Agency itself pursuant to this Agreement, with the exception of Third Party Rights, is and shall be deemed to be work made for hire and that PLK is the exclusive owner of all rights, title and interest, including the copyrights and any and all other intellectual property rights, in and to such Material, and provided further that with respect to materials developed by Marketing Agency for Franchisees, PLK shall own the intellectual property rights in such materials. If, for any reason, any of such materials is not found to have been created as work made-for-hire, or, for any other reason that Marketing Agency is the owner of intellectual property rights to such materials, Marketing Agency hereby assigns (and agrees to assign at the direction of PLK) all its right, title and interest in and to such materials, including the copyrights of such material, to PLK. Marketing Agency shall execute, acknowledge and deliver to PLK any instruments that, in the sole judgment and discretion of PLK, may be deemed necessary to carry out such assignment, and to protect PLK's rights in the materials, and otherwise to carry out the purposes and intent of this Agreement ("Assignment Documents"). In the event any Assignment Document is not executed, acknowledged and delivered to PLK, within ten (10) days following a request therefor, PLK is hereby irrevocably granted a power of attorney to execute such Assignment Document on Marketing Agency's behalf. If Marketing Agency executes any contract pursuant to this Agreement for the development of materials and/or ideas, to the extent that such contract is not for the licensing of Third Party Rights, such contract shall include a provision containing the language set forth in **Appendix F** in order to provide for the complete protection of PLK's property, and further shall provide that no subcontractor or other third party shall have any interest in the property of PLK, including any security interest in any such property. If inclusion of the language set forth in **Appendix F** would result in payment by Marketing Agency of any additional taxes, then Marketing Agency shall so notify Client in a writing addressed to Client's Legal Director prior to execution of such contract. Client will then instruct Marketing Agency as to whether or not such language shall be included in the contract, provided that if Client elects that such language shall be included, then Client shall reimburse Marketing Agency for such additional taxes.

(g) Marketing Agency represents and warrants that all Materials developed by or on behalf of Marketing Agency (other than portions thereof consisting of Third Party Rights) is original or that Marketing Agency has obtained all rights necessary for the unrestricted use of such, as well as for any concept, element or theme contained in any Materials, in any manner and over any period of time, including rights related to copyright, trademark, rights of publicity and privacy and trade secret, excepting such limitations, restrictions or reservations as Client shall consent to, in writing, before the Material is used or provided to Client. Marketing Agency agrees to secure for Client all third party consents, releases and contracts necessary to evidence the rights (which are subject to Third Party Rights) in any Material provided by Marketing Agency under this Agreement.

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(h) Marketing Agency will not use any trademark, service mark, name, slogan, logo or phrase (“Marks”) developed by Marketing Agency in materials developed hereunder, whether for Client or Franchisee, unless Marketing Agency has received a written legal opinion approving such use from Marketing Agency’s trademark counsel. Marketing Agency must provide a copy of said written legal opinion to PLK’s trademark counsel for review and approval prior to Marketing Agency’s use of the Marks in any materials. Review and approval by PLK’s trademark counsel of use of the Marks in any materials shall not constitute a waiver by Client of Marketing Agency’s indemnity obligations as provided in Section 24. If the Marks are ultimately used in materials developed by Marketing Agency, then Marketing Agency agrees that such Marks are and shall remain PLK’s or its Affiliates’ sole property. Marketing Agency shall not obtain or attempt to obtain, during the Term of this Agreement, or at any time thereafter, any right, title or interest in or to any trademarks owned by PLK or its Affiliates or any other intellectual property used or owned by PLK or its Affiliates.

23. Marketing Agency shall safeguard all materials bearing the PLK Intellectual Property in its possession and Marketing Agency will be responsible for their loss, damage or destruction. Marketing Agency shall exert its best efforts to prevent any loss to Client resulting from the failure of proper performance by any third party. Unless otherwise directed by Client, Marketing Agency shall deliver to Client within thirty (30) days of completion of a project all props, costumes, wardrobe items and other objects purchased for use in the production of advertising materials for Client.

24. During the term of this Agreement and afterwards, Marketing Agency represents and warrants that no Confidential Information (defined below) relating to the businesses of the POPEYES® System shall be disclosed by Marketing Agency, or any of its subsidiaries or Affiliates (or any person who, during the term of this Agreement, is an officer, director, employee or independent contractor of Marketing Agency, or any of its subsidiaries or Affiliates), to any person (other than those employees, directors, officers and independent contractors of Marketing Agency who need to know to perform Marketing Services pursuant to this Agreement) without the prior written consent of PLK, unless such Confidential Information (a) becomes public, except by conduct that would constitute or result in a violation of this Agreement, or a breach of any warranty set forth in this Section 24; (b) has been publicly disclosed by Client, PLK, its parent, subsidiaries, franchisees or Affiliates to a third party, without restrictions on its disclosure; (c) was known to Marketing Agency (or the Marketing Agency subsidiary, Affiliate or independent contractor making the disclosure) prior to disclosure by or on behalf of PLK; (d) was independently developed by Marketing Agency (or the Marketing Agency subsidiary, Affiliate or independent contractor making the disclosure), without breach of this Agreement; or (e) must be disclosed, pursuant to a judicial or other government mandate (provided that PLK is provided with prompt notice, prior to any disclosure, so that PLK may seek legal remedies to maintain the confidentiality of such Confidential Information, and further provided that any applicable protective order or equivalent is complied with). For the purposes of this Agreement, Confidential Information shall include plans, strategies, forecasts, financial information, owned and/or licensed software (including documentation and code), hardware and system designs, architectures and protocol, sources of goods, food product formulations, food product preparation and operating procedures, marketing research, Franchisee information, manuals and sales information, and the terms of this Agreement. Marketing Agency shall take the necessary steps and procedures to protect PLK’s and/or its parent’s, subsidiaries’, franchisees’ or Affiliates’ Confidential Information, including requiring the execution of non-disclosure agreements by all employees of Marketing Agency, all third parties to whom any Confidential Information is disclosed, and all employees of such third parties, in the form attached hereto as **Appendix G**. Marketing Agency represents and warrants that neither it nor any employee or subcontractor (of Marketing Agency) shall copy or use the Confidential Information except to the extent necessary to perform services under this Agreement. Marketing Agency expressly agrees that it will be liable for any and all damages of any kind or nature (including reasonable attorney fees) incurred by each Client Indemnitee as a result of any disclosure or misuse of any Confidential Information that would constitute or result in a violation of this Agreement, or a breach of any warranty set forth in this Section 23.

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**Indemnification & Insurance.**

25. (a) Marketing Agency shall, at its own expense, indemnify, defend and hold harmless Client and PLK and each of their officers and directors, employees, successors, assigns, parent, subsidiaries, franchisees and Affiliates (each a “Client Indemnatee”) from and against any and all losses, liabilities, claims, causes of action, suits, damages, injuries, penalties, fines, costs or expenses (including reasonable attorneys’ fees), arising out of or in connection with (i) any undertaking or obligation on the part of Marketing Agency under this Agreement, or any Agreement between Marketing Agency and a Franchisee, (ii) any material prepared or supplied by Marketing Agency under this Agreement, including claims, causes of action and suits alleging libel, slander, defamation, invasion of privacy, plagiarism, piracy, idea misappropriation, copyright, trademark or service mark infringement, or any other failure of Marketing Agency to comply with any applicable law (such losses, liabilities, claims, causes of action, suits, damages, injuries, penalties, fines, costs or expenses (including reasonable attorneys’ fees), arising out of or in connection with such material hereinafter referred to as “Intellectual Property Claims”), and (iii) any agreements with third parties entered into by Marketing Agency to effectuate the provisions of this Agreement. Such indemnification shall apply, notwithstanding the fact that the material or agreements referenced above may have been approved by Client and/or PLK.

(b) Marketing Agency shall hold each Client Indemnatee harmless from, and indemnify each Client Indemnatee against, any loss, liability, claim, cause of action, suit, damage, injury, cost and expense (including reasonable attorneys’ fees), resulting or arising from any alleged injury or death to persons, or injury or damage to property, during the rendering of services required of Marketing Agency hereunder, if such injury occurs in whole or in part as a result of acts of Marketing Agency or its employees, whether said loss is sustained by a Client Indemnatee or any other person(s) or third party.

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3. (c) With respect to any loss, liability, claim, cause of action, suit, damage, injury, cost or expense arising out of or resulting from (or allegedly arising out of or resulting from) any of the causes or circumstances set forth in Section 25(a) and Section 25(b) above, upon a Client Indemnitee's written request, Marketing Agency shall (i) undertake the defense of any claim or litigation in which a Client Indemnitee is a named defendant; (ii) use counsel reasonably satisfactory to the Client Indemnitee in the defense; and (iii) proceed with diligence, timeliness and good faith in such defense, provided that the Client Indemnitee shall have the right to be kept informed at all times about the litigation. Marketing Agency shall not consent to the entry of any judgment, or enter into any settlement, without the Client Indemnitee's prior written consent, which request for consent must be sent to the Client Indemnitee's Legal Director. The Client Indemnitee may, at its election, take control of the defense and investigation of any claim against such Client Indemnitee, and may hire attorneys of its own choice to manage and defend such claims, at Marketing Agency's cost, risk and expense; provided, however, that the Client Indemnitee shall not consent to the entry of any judgment or enter into any settlement without Marketing Agency's prior written consent.

(d) Client reserves the right, at its election and at its own expense, to join in the defense of any suit brought against Marketing Agency which in any way relates to the subject matter of this Agreement and for which Client may be liable. In the event of such election, Client shall have the right to retain its own counsel at Client's expense.

4. 26. (a) Client shall, at its own expense, indemnify, defend and hold harmless Marketing Agency, its officers and directors, employees, successors, assigns, parent and Affiliates (each an "Marketing Agency Indemnitee") from and against any and all loss, liabilities, claims, causes of action, suits, damages, injuries, penalties, fines, costs or expenses (including reasonable attorneys' fees), arising out of or in connection with (i) any false, deceptive or misleading description, depiction or comparison of Client and/or competitive products resulting from inaccurate information, material or data **wholly supplied by Client** to Marketing Agency, if and only if the procedures set forth in Section 10 of this Agreement have been followed; (ii) the use, purchase or consumption of Client's products; and (iii) any alleged infringement of copyright or of trademark, title or slogan, or other intellectual property rights, including the right to privacy/publicity, relating to materials or information **wholly supplied to Marketing Agency by Client** for use in connection with services provided by Marketing Agency to Client hereunder. Under no circumstances will Client have any indemnity obligations to Marketing Agency in connection with any information, data, products or services provided by a Franchisee.

(b) An Marketing Agency Indemnitee will only be entitled to such indemnity if (i) in the case of clauses 25(a)(i) and 25(a)(iii), Marketing Agency utilizes the material, information or data in strict accordance with Client's instructions and prior approval, (ii) any such claim or liability is brought to Client's attention promptly, and (iii) the claim or asserted liability is not the result of any negligence or wilful act on the part of Marketing Agency (or any of its employees) or a Franchisee.

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5. (c) With respect to any loss, liability, claim, cause of action, suit, damage, injury, cost or expense arising out of or resulting from (or allegedly arising out of or resulting from) any of the causes or conditions set forth in Section 25(a) above, upon Marketing Agency's written request, Client shall (i) undertake the defense of any claim or litigation in which an Marketing Agency Indemnitee is a named defendant; (ii) use counsel reasonably satisfactory to Marketing Agency in the defense; and (iii) proceed with diligence, timeliness and good faith in such defense, provided that Marketing Agency shall have the right to be kept informed at all times about the litigation. No Marketing Agency Indemnitee shall consent to the entry or any judgment or enter into any settlement without Client's prior written consent.

27. Insurance

(a) For as long as this agreement remains in effect and for three years thereafter, Marketing Agency shall maintain the following insurance:

(i) **Commercial General Liability** coverage on a per occurrence form, that includes broad form coverage for "contractual Liability," "property damage," "products liability," "bodily injury," "advertising injury," and "personal injury" liability as those terms are defined in Insurance Services Office (ISO) Form CG00-01 or its equivalent. The policies shall provide the minimum limits of no less than the amounts set forth below, contain a waiver subrogation in favor of the Client Indemnitees, and name as additional insureds by policy endorsement each Client Indemnitee identified in Section 25 hereof. Advertising injury coverage provided under the Commercial General Liability insurance must include coverage for claims arising out of or related to:

(i) invasion or infringement or interference with the right of privacy or publicity, whether under common law or statutory law; (ii) infringement of copyright or trademark, whether under statutory or common law; (iii) libel, slander or other forms of defamation; and (iv) plagiarism, piracy or unfair competition resulting from the alleged unauthorized use of titles, formats, ideas, characters, plots, performers, or other material.

(ii) **Auto Liability** coverage on a per occurrence form. The policies shall provide the minimum limits of no less than the amounts set forth below, and name as additional insureds by policy endorsement each Client Indemnitee identified in Section 25 above.

(iii) **Workers' Compensation** coverage that includes all coverage required under the laws of each state in which the Marketing Agency conducts business operations in any way related to the Client Indemnitees and should contain a waiver subrogation in favor of the Client Indemnitees.

(iv) **Errors and Omissions or Advertising Agency Professional Liability Insurance** insuring the contractual liability assumed by Marketing Agency under this Agreement, with respect to Intellectual Property Claims. The policy shall provide the minimum limits of no less than the amounts set forth below, contain a waiver subrogation in favor of the Client Indemnitees, and name as additional insureds by policy endorsement each Client Indemnitee identified in Section 25 hereof.

(b) All Marketing Agency insurance shall be deemed primary and shall not seek contribution from any separate insurance maintained by Client, regardless of the "Other Insurance" or similar provisions of the respective policies of insurance. All insurance coverage required herein shall be provided by an insurance company or companies with minimum AM Best ratings of "A(X)" or "A(10)", where "A" is the Financial Strength Rating ("FSR") and (X) or (10) is the Financial Size Category ("FSC"). In the event that an AM Best rating is not available, a minimum Standard and Poor's FSR of "A" and an FSC (surplus) at least equal to an A. M. Best rating of "X" is required, which may be supplied by a PLK approved credit rating agency. Each policy shall provide for thirty (30) days notice to Client and PLK from the insurer by registered mail, return receipt requested, in the event of any unrestricted prior written notice of cancellation, non-renewal or change in coverage.

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(c) Each and every policy required pursuant to this Agreement, except as noted, shall have maximum deductibles of One Million Dollars (\$1,000,000) subject to approval by PLK's Risk Management Department and shall have coverage limits of:

(i) Comprehensive General Liability Insurance, including products liability coverage with limits of at least Ten Million Dollars (\$10,000,000) per occurrence, Ten Million Dollars (\$10,000,000) in the aggregate, and Fifteen Million Dollars (\$15,000,000) in umbrella/excess liability coverage, for damage, injury and/or death to persons and damage and/or injury to property;

(ii) Auto Liability Insurance with a combined single limits for bodily injury and property damage of not less than \$2,000,000;

(iii) Worker's Compensation Insurance and Employer's Liability Insurance coverage required under the laws of each state in which Marketing Agency conducts business operations in any way related to the Client Indemnitees.

(iv) Errors and Omissions Liability Insurance, including a severability of interest endorsement, in an aggregate amount not less than \$5,000,000 per occurrence; and Marketing Agency shall, upon full execution of this Agreement (and on the policy anniversary dates or as otherwise reasonably requested by Client and PLK), obtain from its insurers certificates confirming that all required insurance coverage is in effect and Marketing Agency shall obtain copies of all endorsements that add the Client Indemnitees as additional insureds to the policies.

(d) All certificates of insurance and policy endorsements required herein shall be provided by Marketing Agency to The TDL Group Corp., 226 Wyecroft Road, Oakville, Ontario, L6K 3X7 Attention: Director, Safety and Risk Management,

(e) Marketing Agency shall use best efforts to require all third party subcontractors and suppliers, including, but not limited to Affiliates of Marketing Agency, to maintain insurance coverages consistent with the requirements and amounts set forth in this Section 27. Notwithstanding the foregoing, in the event that Marketing Agency's third party contractors do not maintain the insurance requirements as provided herein, Marketing Agency acknowledges and agrees that it shall have full responsibility on such third party contractor's behalf. Marketing Agency shall cause each such insurance carrier to issue a certificate to Client and PLK, which (i) shall be sent to PLK as set forth in Section 27(d) above; and (ii) will describe such insurance carrier's coverage, and provide that such insurance carrier will not terminate, cancel or materially modify such insurance coverage without thirty days' prior written notice to Client.

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6. (f) Marketing Agency's failure to secure and maintain proper insurance coverage or failure to ensure that all of Marketing Agency's third party subcontractors and suppliers, including, but not limited to Affiliates of Marketing Agency, have the proper insurance coverage as required above, will not relieve Marketing Agency of its responsibility to indemnify and defend a Client Indemnitee, and shall, of itself, constitute a material breach of this Agreement.

**Term & Termination**

28. (a) This Agreement will be effective as of the date hereof and will continue indefinitely unless and until terminated on ninety (90) days' written notice by either Client or Marketing Agency. Termination may, at Client's option, be made separately with respect to any or all services provided by Marketing Agency. In the event Client determines that Marketing Agency's appointment should terminate with respect to some, but not all, services provided by Marketing Agency, the above procedure will apply on a service-by-service basis.

(b) In the event that either party shall breach any provision of this Agreement or shall default in the performance of any of its obligations hereunder, the party not in breach or default may at its option terminate this Agreement by giving written notice to the other party specifying the said default and such party's intention to terminate, such termination to be effective forty-five (45) days following the giving of such notice, unless the party in breach or default shall have cured such breach or default prior to the expiration of such period.

(c) In the event Marketing Agency fails to maintain the insurance policies required by Section 26(a) hereof, Client shall have the right to terminate this Agreement effective on or at any time thereafter.

(d) This Agreement shall be deemed terminated immediately without prior notice or legal action by either party if the other party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the other party seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, and such proceeding is not dismissed within sixty (60) days; or the other party shall take any action to authorize any of the actions set forth above in this subsection (d).

(e) Client may terminate this Agreement without prior notice or legal action at any time following a change in control in Marketing Agency. For the purposes of this Agreement, "change in control" shall mean (1) a change in the membership of Marketing Agency's board of directors by one-half during any two-year period, (2) a change in beneficial ownership by any person, corporation or group of 20% or more of the voting power of Marketing Agency, and/or (3) a merger, consolidation, liquidation or dissolution of Marketing Agency, or a sale of substantially all of the assets of Marketing Agency. Marketing Agency shall immediately notify of any such change in control.

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(f) The termination of this Agreement shall be without prejudice to either parties' right to recover any monies due hereunder, including any such rights arising out of obligations hereunder of indemnification, or any other rights or remedies of the parties.

29. The respective rights and responsibilities of Client and Marketing Agency will continue in force during the notice period relative to termination. Termination of Marketing Agency's right and obligation to perform services hereunder will be effective at the end of the notice period, or thereafter as determined by Client and provided in the notice, and:

(a) With respect to services being provided to Client, Marketing Agency will bill Client for all amounts which Client is obligated to pay under this Agreement for services performed through the date of termination and Client-approved expenses related thereto (to the extent it has not done so already), and Client will pay such amounts in the ordinary course of business;

(b) Regardless of any dispute between the parties hereto including but not limited to disputes concerning the payment of money and irrespective of the termination of this Agreement, upon payment in full of all undisputed amounts due and owing from Client to Marketing Agency, Marketing Agency shall transfer and assign, together with any copyrights thereon, and shall ship or deliver to Client (or if Client prefers, to any other entity) all property and materials belonging to or purchased for Client that are in the possession or control of Marketing Agency including but not limited to all materials containing Client's Intellectual Property, all manuals, artwork, colour separations, research, advertising and promotional copy, layouts, scripts, franchise lists, and computerized data files, Confidential Information and all other information regarding Client's advertising, sales, market surveys and all rights and claims thereto within thirty (30) days after the effective date of the termination of this Agreement, and shall allow Client access to same during the period of time between the date of termination notice and delivery/shipment; no extra compensation is to be paid to Marketing Agency for its services in connection with this transfer or access; and

(c) At the request of Client, Marketing Agency will transfer to Client all rights and obligations under existing contracts or commitments entered into by Marketing Agency, in connection with services to be provided to Client under this Agreement, except that any non-transferable contract or commitment will be carried to completion by Marketing Agency and paid for by Client in accordance with the terms of this Agreement, unless some other mutually acceptable approach is agreed to, in writing.

30. All notices in connection with the termination of this Agreement shall be in writing and hand delivered or sent by certified mail, return receipt requested or by courier service such as UPS or Federal Express, addressed to the addresses set forth on **Appendix H** or such other address as may be designated in writing. Each notice shall be deemed to have been given: (i) when received, if given in person; or (ii) on the date of receipt or refusal, if otherwise given.

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7. 31. The provisions of this Agreement set forth in Sections 21, 22, 23, 24, 25, 26, 27, 29, 31, 32, 33, 34, 35, 36, 37, 38 and 40 shall survive any termination of this Agreement.

**Miscellaneous**

32. During the term of this Agreement and for one year thereafter, representatives or agents designated by Client may, upon reasonable notice and during normal business hours, examine the records and files of Marketing Agency, covering Marketing Agency's dealings on behalf of Client and or Franchisees with production vendors and other third parties. Client shall have access to the time records of all Marketing Agency employees who work or have worked on the Client and/or Franchisee account and to cost accounting records of Marketing Agency relating solely to the services performed by Marketing Agency hereunder, except for individual salaries. All such records shall be made available to Client at the home office of Marketing Agency in [\_\_\_\_\_].

33. This Agreement shall be governed and construed under and in accordance with the laws of [ ]. In the event of litigation between the parties arising under or in connection with this Agreement, such litigation shall be brought only in \_\_\_\_\_, and the parties hereto irrevocably submit to the jurisdiction of such courts in connection with such actions.

34. This Agreement may not be assigned, either directly or by operation of law, by Marketing Agency, except with the express prior written consent of Client.

35. The failure of either party to object to or take affirmative action with respect to any conduct of the other which is a breach of the terms of this Agreement shall not be construed as a waiver thereof or of any future breach or subsequent wrongful conduct.

36. This Agreement represents the entire agreement between Client and Marketing Agency and supersedes and cancels any prior oral or written agreement, letter of intent or understanding related to the subject matter hereof.

37. No partnership, joint venture or employment relationship is created between Client and Marketing Agency by this Agreement. Marketing Agency and its employees, in regard to their relationship with Client, shall be independent contractors.

38. The parties hereto agree that in the event of a breach of any provision of this Agreement, the aggrieved party may be without an adequate remedy at law. The parties therefore agree that in the event of a breach of any provision of this Agreement, the aggrieved party may elect to institute and prosecute proceedings in the appropriate court, pursuant to Section 32 hereof, to enforce such provision through specific performance, or to enjoin the continuing breach of such provision, as well as to obtain damages for breach of this Agreement. By seeking or obtaining any such relief, the aggrieved party shall not be precluded from seeking or obtaining any other relief to which it may otherwise be entitled.

39. It is of critical importance to Client that Marketing Agency perform services pursuant to this Agreement in good faith and in concert with other advertising, marketing, public relations and promotion firms selected by Client and/or PLK during the term of this Agreement for the overall best interests and welfare of Client and PLK. Marketing Agency agrees to actively involve itself in such group efforts during the term of this Agreement. Active involvement shall include, but not be limited to participation by Marketing Agency key creative and management personnel designated by Client and/or PLK; attendance by such key personnel at all meetings; full release and exchange of ideas, information, techniques and proposals; and, full disclosure of, and discussion concerning, concepts, designs, plans, objectives, strategies, creations and research of Marketing Agency in regard to Client and PLK.

Appendix

CERTAIN PORTIONS OF THE EXHIBIT THAT ARE NOT MATERIAL AND IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL HAVE BEEN REDACTED PURSUANT TO ITEM 601(b)(10)(iv) OF REGULATION S-K. [\*\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.

40. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

41. PLK shall be a third party beneficiary under this Agreement with full authority to enforce all obligations of Marketing Agency as it relates to PLK's rights set forth herein, including, but not limited to, with respect to the PLK Intellectual Property.

Appendix

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**APPENDIX A**  
**Scope of Services**

*[Insert Scope of Services as agreed between  
Master Franchisee and Marketing Agency]*

Appendix

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**APPENDIX B**  
**PERSONAL INFORMATION & SECURITY**

**Definitions**

(a) “Security Breach” means: (1) any act or omission that materially compromises either Personal Information or the physical, technical, administrative, or organizational safeguards put in place by Agency (or its agents or subcontractors) that relate to the protection of Personal Information; or (2) receipt of a complaint in relation to the privacy practices of Agency, a breach or alleged breach of this Agreement or the privacy or data protection policies of Agency that involve Personal Information.

(b) “Personal Information” means information provided by or at the direction of PLK APAC PTE. LTD. (“PLK”), or to which access was provided in the course of Agency’s performance of the Agreement that: (1) identifies or distinguishes an individual, such as name, signature, address, telephone number, email address, date of birth, device ID, or any other unique identifier as pursuant to applicable law; or (2) that can be used to authenticate that individual including employee identification number, Social Security Number, driver’s license number or other government-issued identification number, passwords or personal identification numbers (PINs), biometric or health data, answers to security questions, or other personal identifiers. PLK employee’s business contact information is not by itself Personal Information. Personal Information qualifies as Confidential Information under this Agreement.

(c) “Highly Sensitive Personal Information” means a person’s government-issued identification number, financial account number, credit card number, debit card number, credit report, or biometric or health data.

Appendix

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**Security Breach Notification**

- (a) Agency shall notify PLK and the Company immediately of a Security Breach, and in any event within twelve (12) hours, after it becomes aware of such breach and shall provide PLK and the Company with the name and contact information for a primary security contact within Agency who will be available to assist PLK 24 hours per day, 7 days per week in resolving obligations associated with the Security Breach. Agency shall notify PLK and the Company of any Security Breach by e-mailing.
- (b) Immediately following such discovery and notification to PLK and the Company, the parties will coordinate with each other to investigate the Security Breach. Agency agrees to fully cooperate with PLK and the Company in PLK's and the Company's handling of the matter, including any investigation, providing PLK with physical access to the facilities and operations affected, facilitating interviews with Agency's employees and others involved in the matter, and making available all relevant records, logs, files, and data reporting or other obligations required by applicable law, regulation, standard, or as otherwise required by PLK and the Company.
- (c) Agency shall take immediate steps to remedy the Security Breach at Agency's expense in accordance with applicable privacy rights, laws, and standards. Agency shall reimburse PLK and the Company for actual costs incurred in responding to and/or mitigating damages caused by a Security Breach.
- (d) Except as may be expressly required by applicable law, Agency agrees that it will not inform any third party (other than applicable law enforcement or as required by applicable law) of any Security Breach without first obtaining PLK's and the Company's prior written consent, other than to inform a complainant that the matter has been forwarded to PLK's legal counsel. Further, Agency agrees that PLK and the Company shall have the sole right to determine: (1) whether notice of the Security Breach is to be provided to any individuals, regulators, law enforcement agencies, consumer reporting agencies, or others as required by law or regulation, or in PLK's and the Company's discretion; and (2) the contents of such notice, whether any type of remediation may be offered to affected persons, and the nature and extent of any such remediation. Any such notice or remediation shall be at Agency's sole cost and expense.

Appendix

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(e) Agency agrees to cooperate with PLK and the Company in any litigation or other formal action against third parties deemed necessary by PLK and the Company to protect its rights.

(f) Agency will promptly use its best efforts to prevent a recurrence of any such Security Breach. Upon PLK's request, Agency shall, at its sole cost and expense, engage a third party security company agreed upon by PLK and Agency, to conduct a security audit and to provide a written security plan to address any issues related to such Security Breach and as otherwise identified in such audit.

**Standard of Care**

Agency acknowledges that in the course of its performance of the services, Agency may receive or have access to Personal Information. In recognition of the foregoing, Agency covenants and agrees that:

(a) It will keep and maintain all Personal Information in strict confidence, using such degree of care as is appropriate to avoid unauthorized use, transfer, sharing, or disclosure.

(b) It will use and disclose Personal Information solely and exclusively for the purposes for which such information, or access to it, is provided pursuant to the terms of this Agreement, and will not use, sell, rent, transfer, distribute, or otherwise disclose or make available Personal Information for Agency's own purposes or for the benefit of anyone other than PLK and the Company without PLK's and the Company's express written permission.

(c) It will not, directly or indirectly, disclose Personal Information to anyone outside PLK and the Company including subcontractors, agents, outsourcers and auditors (hereinafter a "Third Party"), without express written permission from PLK and the Company unless and to the extent required by law enforcement or government bodies or as otherwise to the extent expressly required by applicable law or regulations. To the extent Agency discloses or makes Personal Information available to a Third Party, Agency shall remain liable to PLK and the Company for the actions and omissions of the Third Party and shall require pursuant to a written agreement signed by the Third Party that the Third Party complies with the terms and conditions of the Agreement including the data privacy and security requirements terms set forth in this Agreement, as if they were Agency.

Appendix

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### **Information Security**

(a) Agency is responsible for any unauthorized collection, access, use, storage, disposal, or disclosure of Personal Information by its employees, agents or subcontractors under its control or in its possession. Without limiting the foregoing, Agency shall implement and maintain appropriate safeguards to protect the Personal Information that are no less rigorous than accepted industry practices (such as ISO 27001:2013, SOC 2 Type 2, SOC 2 Type 1 or other industry standards of information security) to protect the Personal Information from unauthorized access, destruction, use, modification, or disclosure, as well as with the Payment Card Industry Data Security Standard requirements (PCI DSS).

(b) At a minimum, Agency's information safeguards shall include: (1) secure business facilities, data centers, paper files, servers, back-up systems and computing equipment including, but not limited to, all mobile devices and other equipment with information storage capability; (2) network, device application, database and platform security; (3) secure transmission, storage and disposal; (4) authentication and access controls within media, applications, operating systems and equipment; (5) encryption of Highly Sensitive Personal Information stored on any electronic notebook, portable hard drive, or removable electronic media with information storage capability, such as compact discs, flash drives and tapes; (6) encryption of Highly Sensitive Personal Information when transmitted over public or wireless networks; (7) strictly segregating Personal Information from information of PLK/Company competitors so that both types of information are not commingled on any one system; (8) personnel security and integrity including, but not limited to, background checks consistent with applicable law; and (9) limiting access of Personal Information, and providing privacy and information security training, to Agency's Authorized Employees. "Authorized Employees" are Agency's employees or contractors who have a need to know or otherwise access the Personal Information to enable Agency to perform its obligations under this Agreement, and who are bound in writing by obligations of confidentiality sufficient to protect the Personal Information in accordance with the terms of this Agreement.

(c) Upon PLK's and the Company's written request, Agency will promptly identify all Authorized Employees in writing as of the date of the request. During the term of each Authorized Employee's employment by Agency, Agency will at all times cause such Authorized Employees to strictly abide by its obligations under this Agreement. Agency further agrees that it will maintain a disciplinary process to address any unauthorized access, use or disclosure of Personal Information by any of Agency's officers, partners, principals, employees, agents or independent contractors.

(d) Upon PLK's or the Company's written request, Agency shall provide PLK and the Company with a network diagram that outlines Agency's Information Technology network and all equipment in relation to fulfilling the terms of this Agreement, including: (1) connectivity to PLK and the Company and all third parties who may access Agency's network to the extent the network contains Personal Information; (2) all network connections including remote access services and wireless connectivity; (3) all access control devices (e.g., firewall, packet filters, intrusion detection, access-list routers); (4) any backup or redundant servers, and (5) permitted access through each network connection.

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**Oversight of Security Compliance**

Upon request, Agency shall grant PLK and the Company, or a third party acting on PLK’s or the Company’s behalf, permission to perform an assessment, audit, examination, or review of controls in Agency’s environment in relation to the Personal Information being handled and/or services being provided to confirm compliance with the Agreement, as well as any applicable laws, regulations, and industry standards. Agency shall fully cooperate with such assessment by providing access to knowledgeable personnel, physical premises, documentation, infrastructure, and application software that processes, stores, or transports Personal Information pursuant to the Agreement. In addition, upon request, Agency shall provide PLK with the results of any audit performed at Agency’s sole cost and expense that assesses the effectiveness of Agency’s information security program as relevant to the security and confidentiality of Personal Information shared during the course of this Agreement.

**Injunctive Relief**

Agency acknowledges and agrees that a breach of any data privacy and security obligation set forth in this Agreement may result in irreparable harm for which monetary damages may not provide a sufficient remedy, and as a result, PLK and the Company will be entitled to seek both monetary damages and equitable relief. Further, Agency’s failure to comply with any of the provisions of this Agreement shall be deemed a material breach of the Agreement, and PLK may terminate the Agreement for cause without liability to Agency.

**Indemnity**

Agency will indemnify, defend and hold harmless PLK and the Company, and their parents, subsidiaries and affiliates, and each of their respective officers, shareholders, directors, employees, and agents and all of their successors and assigns from and against any third party claims, suits, judgments, losses, fines, liabilities, assessments and expenses (whether fixed or contingent, and including reasonable attorneys’ fees and expenses) that arise from or are related to any failure to comply with any of Agency’s data privacy and security obligations under the Agreement, or Agency’s gross negligence or wilful misconduct that results in a Security Breach.

Appendix



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**APPENDIX C**  
**MARKETING AGENCY COMPENSATION**

Base Compensation: Client shall pay Marketing Agency the monthly sum of \_\_\_\_\_ (\$ \_\_\_\_\_), commencing on the effective date of this Agreement and continuing each month thereafter through the termination date of this Agreement (unless otherwise modified in writing by the parties hereto), payable on the first day of each such month.

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**APPENDIX D**  
**THE CODE OF BUSINESS ETHICS AND**  
**CONDUCT FOR VENDORS**

*[to be the same as Appendix A.3 to Exhibit E to this Agreement below]*

Appendix

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**APPENDIX E**  
**BILLING PROCEDURES**

*[to be inserted as agreed between Master Franchisee and Marketing Agency]*

Appendix

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**APPENDIX F**  
**IP PROTECTION CLAUSE FOR CONTRACTS BY MARKETING AGENCY**

*[to be inserted by Master Franchisee]*

*Contract Provision to be included in Agency Contracts with Third Parties:*

[Third Party] understands and agrees that all material worked on or developed by [Third Party], including but not limited to concepts, ideas, recommendations, copy, layouts, scripts, research, camera work, tape footage and production work, including preliminary drafts or versions thereof, shall be the exclusive property of PLK APAC PTE. LTD., which material PLK APAC PTE. LTD. shall have the full, free and exclusive right to use in any way, and such right shall include but is not limited to the right to sublicense the use of the material to others. [Third Party] acknowledges that all such material, including, but not limited to, all intellectual property rights therein is and shall be deemed to be work made for hire and that [Third Party] has no interest therein, including, without limitation, any security interest in such property, and hereby releases to Popeyes Restaurants International GmbH any interest therein which may be created by operation of law. If, for any reason, any of such materials is not found to have been created as work made for hire, [Third Party] hereby assigns all its right, title and interest in and to such materials, including the copyrights of such material, to PLK APAC PTE. LTD. [Third Party] hereby waives any and all so-called moral rights in and to the materials. [Third Party] shall execute, acknowledge and deliver to PLK APAC PTE. LTD. any instruments that, in the sole judgment and discretion of PLK, may be deemed necessary to carry out, give effect to, or evidence such assignment, and to protect the rights of PLK APAC PTE. LTD. in the materials, and otherwise to carry out the purposes and intent of this provision.

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**APPENDIX G**  
**NON-DISCLOSURE AGREEMENT**

*[to be inserted as agreed between Master Franchisee and Marketing Agency]*

Appendix

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**APPENDIX H**  
**NOTICE DETAILS**

*[to be inserted]*

Appendix

## List of Significant Subsidiaries

<b>Significant Subsidiaries</b>	<b>Place of Incorporation</b>
TH Hong Kong International Limited	Hong Kong
PLKC International Limited	Cayman Islands
PLKC HK International Limited	Hong Kong
Tim Hortons (China) Holdings Co. Ltd.	PRC
Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd.	PRC
Tim Hortons (Beijing) Food and Beverage Services Co., Ltd.	PRC
Tim Hortons (Shenzhen) Food and Beverage Co., Ltd.	PRC
Tims Coffee (Shenzhen) Co., Ltd.	PRC
Shanghai Donuts Enterprise Management Co., Ltd.	PRC

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**CODE OF ETHICS**

Effective: September 28th, 2022

**TH INTERNATIONAL LIMITED**

The board of directors (the “Board”) of TH International Limited (together with its subsidiaries, the “Company”) has adopted this Code of Ethics (the “Code”) in order to deter wrongdoing and promote:

1. honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “SEC”) and in other public communications made by the Company;
3. compliance with applicable governmental laws, rules and regulations;
4. the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code; and
5. accountability for adherence to the Code.

All directors, officers and employees are required to be familiar with the Code, comply with its provisions and report any suspected violations as described below.

**HONEST AND ETHICAL CONDUCT**

The Company’s policy is to promote high standards of integrity by conducting its affairs honestly and ethically.

Each director, officer and employee must act with integrity and observe the highest ethical standards of business conduct in his or her dealings with the Company’s customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job.

**CONFLICTS OF INTEREST**

A conflict of interest occurs when an individual’s private interest interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also arise when an employee, officer or director (or a member of his or her family) receives improper personal benefits as a result of his or her position in the Company.

Loans by the Company to, or guarantees by the Company of, obligations of directors, officers, employees or their family members are of special concern. Loans by the Company to, or guarantees by the Company of, obligations of any director or executive officer are expressly prohibited.



Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided unless specifically authorized as described in the paragraph below.

Persons other than directors and executive officers who have questions about a potential conflict of interest or who become aware of an actual or potential conflict should discuss the matter with, and seek a determination and prior authorization or approval from, their supervisor or the General Counsel. A supervisor may not authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the General Counsel with a written description of the activity and seeking the General Counsel's written approval. If the supervisor is himself involved in the potential or actual conflict, the matter should instead be discussed directly with the General Counsel.

Directors and executive officers must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee.

### **CORPORATE OPPORTUNITIES**

All directors, officers and employees owe a duty to the Company to advance its interests when the opportunity to do so arises. Directors, officers and employees are prohibited from taking for themselves personally opportunities that are discovered through the use of Company property, information or position. Directors, officers and employees may not use Company property, information or position for personal gain. In addition, no director, officer or employee may compete with the Company.

### **CONFIDENTIALITY**

Directors, officers and employees should maintain the confidentiality of information entrusted to them by the Company or by its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to the Company's competitors, or harmful to the Company or its customers if disclosed.

### **FAIR DEALING**

Each director, officer and employee should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse or privileged information, misrepresentation of facts or any other unfair dealing practice.

### **PROTECTION AND PROPER USE OF COMPANY ASSETS**

All directors, officers and employees should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability and are prohibited.

All Company assets should be used only for legitimate business purposes. Any suspected incident of fraud or theft should be reported for investigation immediately.

The obligation to protect Company assets includes the Company's proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business and marketing plans, engineering and

manufacturing ideas, designs, databases, records and any non-public financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties.

## **COMPLIANCE**

Directors, officers and employees should comply, both in letter and spirit, with all applicable laws, rules and regulations.

Although not all directors, officers and employees are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek advice from appropriate personnel. Questions about compliance should be addressed to the legal department.

Insider trading is unethical, illegal and a violation of the Company's Insider Trading Policy.

## **DISCLOSURE**

The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

Each director, officer and employee who contributes in any way to the preparation or verification of the Company's financial statements and other financial information must ensure that the Company's books, records and accounts are accurately maintained. Each director, officer and employee must cooperate fully with the Company's accounting and internal audit departments, as well as the Company's independent public accountants and counsel.

Each director, officer and employee who is involved in the Company's disclosure process must:

1. be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and
2. take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of the Company provide full, fair, accurate, timely and understandable disclosure.

## **REPORTING AND INVESTIGATION OF VIOLATIONS**

Actions prohibited by this Code involving directors or executive officers must be reported to the Audit Committee.

Actions prohibited by this Code involving anyone other than a director or executive officer must be reported to the reporting person's supervisor, the General Counsel.

After receiving a report of an alleged prohibited action, the Audit Committee, the General Counsel or the relevant supervisor must promptly take all appropriate actions necessary to investigate.

All directors, officers and employees are expected to cooperate in any internal investigation of misconduct.

### **PROHIBITION ON RETALIATION**

The Company does not tolerate acts of retaliation against any director, officer or employee who makes a good faith report of known or suspected acts of misconduct or other violations of this Code, and any such retaliation may be a violation of the Company's Whistleblower Policy.

### **ENFORCEMENT**

The Company must ensure prompt and consistent action against violations of this Code.

If, after investigating a report of an alleged prohibited action by a director or executive officer, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the Board.

If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor determines that a violation of this Code has occurred, the supervisor will report such determination to the General Counsel.

Upon receipt of a determination that there has been a violation of this Code, the Board or the General Counsel will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

### **WAIVERS**

The Board or the Audit Committee (in the case of a violation by a director or executive officer) or the General Counsel (in the case of a violation by any other person) may, in its discretion, waive any violation of this Code.

Any waiver for a director or an executive officer shall be disclosed as required by SEC and NASDAQ rules.

**Certification by the Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yongchen Lu, certify that:

1. I have reviewed this annual report on Form 20-F of TH International Limited (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) *[Intentionally omitted]*;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 28, 2023

By: /s/ Yongchen Lu

Name: Yongchen Lu

Title: Chief Executive Officer

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**Certification by the Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dong Li, certify that:

1. I have reviewed this annual report on Form 20-F of TH International Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) *[Intentionally omitted]*;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 28, 2023

By: /s/ Dong Li  
Name: Dong Li  
Title: Chief Financial Officer

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**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of TH International Limited (the “Company”) on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yongchen Lu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2023

By: /s/ Yongchen Lu  
Name: Yongchen Lu  
Title: Chief Executive Officer

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**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of TH International Limited (the "Company") on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dong Li, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1). The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2). The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2023

By: /s/ Dong Li  
Name: Dong Li  
Title: Chief Financial Officer

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (No. 333-268225) on Form S-8 of our report dated April 28, 2023, with respect to the consolidated financial statements of TH International Limited.

/s/ KPMG Huazhen LLP  
Shanghai, China  
April 28, 2023

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