

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

FORM 20-F

(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, 2025

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

TH International Limited
(Exact name of Registrant as specified in its charter)

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)

Dong Li, Chief Financial 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)

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\$0.0000469793497033866 per share | THCH | Nasdaq Stock Market LLC |

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
(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, 2025, there were 0.2 Series A-2 Convertible Preferred Share outstanding, par value US\$ 0.00004697934970338660 per share, 0.2 Class A-1 Special Voting Share outstanding, par value US\$ 0.00004697934970338660 per share, and 33,243,582 Ordinary shares outstanding, par value US\$ 0.00004697934970338660 per share.

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

Accelerated filer

Non-accelerated filer
Emerging growth company

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

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

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 and amended on June 12, 2023.
- “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 Revised) 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 of US\$0.00000939586994067732 prior to the Reverse Stock Split (as defined below) and US\$0.0000469793497033866 per share after the Reverse Stock Split, of THIL.

- “PCAOB” means the Public Company Accounting Oversight Board.
- “PLK” means PLK APAC Pte. Ltd., a company organized and existing under the laws of Singapore, PLKC HK International Limited, a limited liability company organized under the laws of Hong Kong, and PLKC International Limited.
- “Popeyes China” means PLKC International Limited, a Cayman Islands exempted company.
- “Popeyes Shanghai” means Bobipai (Shanghai) Catering Management Co.
- “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 Popeyes Shanghai from March 30, 2023 to June 28, 2024 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 \$57.50 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 \$57.50 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 and 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 amended and restated memorandum and articles of association of THIL adopted by a Special Resolution passed on March 9, 2022 and effective September 28, 2022.
- “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 RMB6.9931 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2025. 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 ability to continue as a going concern
- THIL’s ability to compete effectively in the markets in which it operates;
- 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 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; 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.

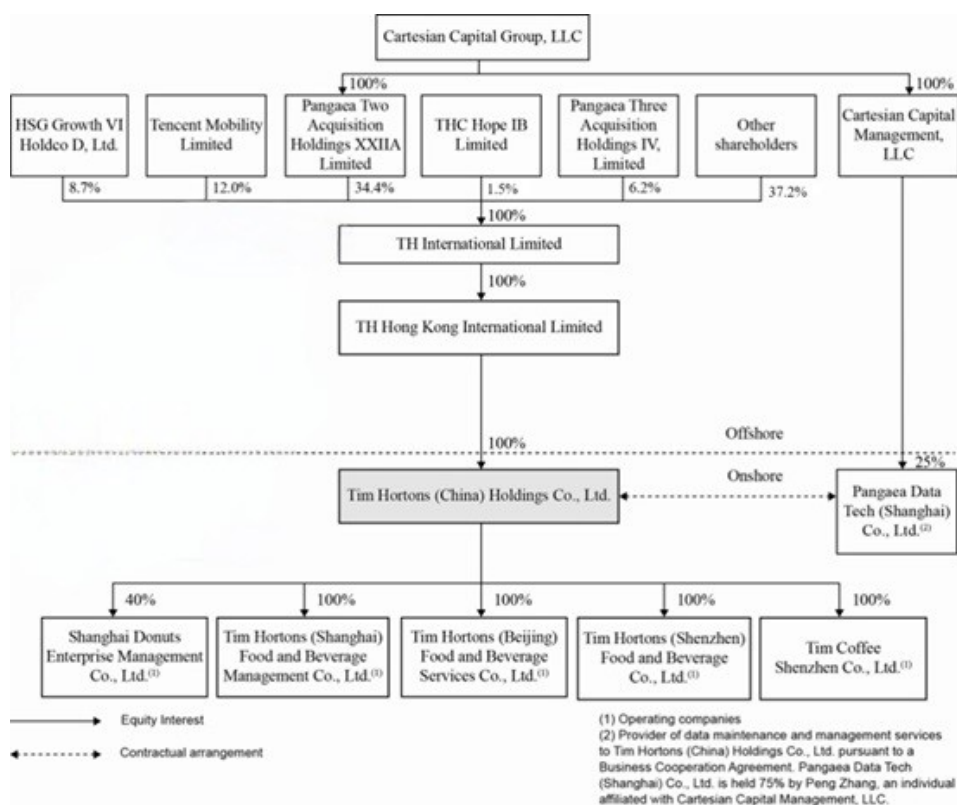
ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

THIL is a Cayman Islands exempted company that acts as a holding company and conducts its operations in mainland China through its PRC 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, including payments under dollar-denominated debt obligations, 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, save that THIL may only declare and pay a dividend on its shares out of either profit or share premium account and provided that a dividend may not be paid if this would result in THIL being unable to pay its debts as they fall due in the ordinary course of business, and THIL 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 an aggregate of US\$126.0 million in cash 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\$309.3 million in cash to TH Hong Kong International Limited (“THHK”) as capital injections and shareholder loans, and THHK has transferred an aggregate of US\$297.7 million in cash to Tim Hortons China and US\$7.4 million in cash to Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd. as capital injections and shareholder loans. See page F-21 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, 2024 and 2025, 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 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 of Risk Factors

- THIL may not be able to continue as a going concern if its plans to secure additional funding and optimize operational efficiencies do not materialize
- 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.

- 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, including payments under dollar-denominated debt obligations, or any foreign operations or any foreign creditors 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, or to be used to fund any foreign creditors. 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 exempted company that acts as a holding company and conducts its operations in mainland China through its PRC 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, 2025, we had grown to 1,047 system-wide stores across 92 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, and the emergence of alternative business models. 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. We may also actively adjust our store network expansion plans, including the closure of stores that do not achieve expected sales, which may negatively affect our results of operations. 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 December 2025 will be higher than the monthly royalty rate for stores opened in the relevant prior period. For stores opened from January 1, 2026 onwards, the royalty rate is a fixed rate. 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 dropped from 8.1% in 2021 to 3.0% in 2022, and then recovered to 5.2%, 5.0% and 5.0% in 2023, 2024 and 2025, respectively. 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 escalation of geopolitical tensions in Europe and the middle east, including the military confrontations between the United States and Iran, military conflict between Russia and Ukraine, and the Hamas-Israel conflict in the Middle East. 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 geopolitical tensions.

The U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions, including the military confrontations between the United States and Iran, the ongoing military conflict between Russia and Ukraine, and the Hamas-Israel conflict in the Middle East. Although we do not have any operations outside of mainland China nor any business relationships, connections to, or assets in, Russia, Belarus, Ukraine, or the Middle East, our business, financial condition and results of operations have been, and could continue to be, indirectly and adversely affected by these geopolitical tensions. 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.

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. On June 28, 2024, we and our subsidiaries in Hong Kong and China entered into a Second Amendment to the A&R MDA, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement with THRI to amend the Development Schedule and certain requirements relating to sub-franchising and the development of Tims Express and Tims Go. In addition, on October 31, 2025, we and our subsidiaries in Hong Kong and China entered into a Third Amendment to the A&R MDA, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement with THRI to amend certain provisions, including those relating to the administration of the advertising fund and the development plans. 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 their 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, PLK 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 485 franchise stores as of December 31, 2025, 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 addition to the revenue we generate from other franchise support activities. In 2023, 2024 and 2025, revenue attributable to such sub-franchisees accounted for approximately 5.3%, 12.4% and 17.7% 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 28,000 convenience stores, and 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, rising inflation and geopolitical tensions, including the Russia-Ukraine conflict and the Hamas-Israel conflict, 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. 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 Agreements 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. For example, 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. In addition, 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 addition, there can be no assurance that price increases will be able to offset increased costs and expenses resulting from rising inflation, geopolitical tensions, outbreaks of health epidemics 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.

Heightened tension in international trade and rising international political tensions, particularly between U.S. and China, may adversely impact our business, financial condition, and results of operations.

In recent years there have been heightened tensions in international relations, particularly between the United States and China. The U.S. government has implemented policies restricting international trade and investment, such as tariffs, export controls, economic or trade sanctions, and foreign investment filing and approval requirements. These tensions have affected both diplomatic and economic ties between the two countries. For example, on October 28, 2024, the U.S. Department of the Treasury issued a final rule on outbound investment to implement the executive order of August 9, 2023. The final rule became effective on January 2, 2025. The final rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as Covered Foreign Persons. U.S. persons subject to the final rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as Covered Transactions. We do not believe we are a Covered Foreign Person as defined under the final rule. If we were to be deemed a Covered Foreign Person due to changes in our business operations or amendments to relevant laws and regulations, our ability to raise capital would be significantly and negatively affected. In such case, the trading price of our shares and/or the ADSs may be materially and adversely affected. In addition, the U.S. has imposed or proposed the imposition of new tariffs on products imported into the U.S. from a number of countries, such as China and Canada and could propose additional tariffs or increases to those already in place. Escalating U.S.-China tariff tensions have triggered a chain reaction of economic and political repercussions, potentially worsening bilateral relations. U.S. legislative and policy initiatives may impose stricter measures on China-based companies listed on U.S. exchanges.

If any new tariffs, legislation, or regulations are implemented, or, in particular, if the U.S. government takes further retaliatory trade actions due to the recent U.S.-China trade tension, such changes could adversely affect our business, financial condition, and results of operations. Heightened tensions could also reduce levels of trade, investments, technological exchanges, and other economic activities between the two major economies. The existing tensions and any further deterioration in the relationship between the United States and China may have a negative impact on the general, economic, political, and social conditions and consumer confidence in both countries and, given our reliance on the Chinese market, adversely impact 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 due to natural disasters, health epidemics or other calamities.

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. For example, the COVID-19 pandemic had resulted in disruptions to the global economy since the beginning of 2020. While the COVID-19 pandemic in China has come under control since early 2023, the extent to which the pandemic affects our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the resurgence of COVID-19 and its variants, 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 such events may adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this section.

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 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 Agreements entered into by Tim Hortons China with 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, 2025, out of the 1,047 company owned and Franchised stores in PRC, 14 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 2025. 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, 14 of our 1,047 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, terminated or renewed 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, 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 22-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. 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 their customers to DataCo, pursuant to their respective Business Cooperation Agreement with DataCo. 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 Cyber Security 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 September 24, 2024, the State Council of China published the Regulations on Network Data Security Administration, which took effect on January 1, 2025. The Regulations on Network Data Security Administration provides that network data processing operators engaging in network data processing activities that affect or may affect national security must be subject to security review in accordance with the relevant PRC regulations. “Network data processing activities” refers to the collection, retention, use, processing, transmission, provision, disclosure, deletion, and other activities of network data.

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 Regulations on Network Data Security Administration 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, 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. Furthermore, on March 22, 2024, the CAC published the Provisions on Promoting and Regulating Cross-border Data Flow, which became effective on the date of publication. Compared with the Measures on Data Export Security Assessment, the Provisions on Promoting and Regulating Cross-border Data Flow (i) provide several exemption scenarios for security assessment, such as contract fulfillment, human resources management, emergency situations, etc.; and (ii) make adjustments to calculation time windows and the trigger thresholds for security assessments, i.e. changing the annual accumulation calculation start date to January 1 of the current year rather than January 1 of the previous year and shifting the lower ceiling for the security assessment to the export of personal information (excluding sensitive personal information) of 1 million individuals from the 100,000 under the Measures on Data Export Security Assessment. 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 or the Provisions on Promoting and Regulating Cross-border Data Flow. As of the date of this Annual Report, the Measures on Data Export Security Assessment or the Provisions on Promoting and Regulating Cross-border Data Flow has not materially affected our business or results of operations. Since the Provisions on Promoting and Regulating Cross-border Data Flow was newly enacted, there remain substantial uncertainties about its interpretation, implementation and interaction with other data export regulations, such as the Measures on Data Export Security Assessment, 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 have concluded that substantial doubt exists about our ability to continue as a going concern, and will require additional capital to support our business, 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 proceeds from the issuance of ordinary shares, long-term 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. We will require additional liquidity to continue our operations over the next 12 months, and there remains substantial doubt about our ability to continue as a going concern.

- our market position and competitiveness in China’s coffee industry and food and beverage sector;
- 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. For example, to reduce liquidity risks and risks related to our ability to continue as a going concern associated with our indebtedness, 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. In addition, our debt instruments contain 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 2, 2025 (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. The indenture governing our 2025 Convertible Senior Secured Notes contains certain covenants and events of default, including limitations on our ability to enter into any new material contract or amend, vary or terminate any existing material contract without first engaging in good faith consultations with THRI, and are secured by, among other things, a pledge of 100% of the shares of TH Hong Kong International Limited. 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.

We had negative net cash flows from operations in the past and have not been profitable, which may continue in the future.

We incurred net losses of RMB872.9 million, RMB409.0 million and RMB435.8 million (US\$62.3 million) in 2023, 2024 and 2025, respectively, and we have not been profitable since our inception. In addition, we had negative cash flows from operating activities of RMB196.1 million, RMB39.7 million and RMB12.7 million (US\$1.8 million) in 2023, 2024 and 2025, respectively. We have made significant up-front investments in digital technology and information system development, store network, and sales and marketing to rapidly develop and expand our business. We expect to continue to invest in these areas to establish and expand our business, and these investments may not result in an increase in revenue or positive cash flow on a timely basis, or at all.

We may not be able to generate sufficient revenues and we may incur substantial losses for a number of reasons, including lack of demand for our products and services, increasing competition, challenging macro-economic environment, as well as other risks discussed herein, and we may incur unforeseen expenses, or encounter difficulties, complications, or delays in generating revenue or achieving profitability. If we are unable to achieve profitability, we may have to reduce the scale of our operations, which may impede our business growth and adversely affect our financial condition and results of operations. In addition, our continuous operation depends on our capability to obtain sufficient external equity or debt financing. There is substantial doubt regarding our ability to continue as a going concern if our plans to secure additional funding and optimize operational efficiencies do not materialize. If we do not succeed in doing so, we may need to curtail our operations, which could adversely affect our business, results of operations, financial position, and cash flows.

Our convertible notes or preferred shares 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”). 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. On December 2, 2025, we repurchased from holders the entire outstanding principal amount of the Notes due 2026 by applying certain of the cash proceeds from the issuance of the Convertible Senior Secured Notes (as defined below).

On June 28, 2024, we entered into a securities purchase agreement with THRI, Pangaea Three Acquisition Holdings IV Limited (“P3AHIV”) and Pangaea Two Acquisition Holdings XXIIA Limited (“PTAHXXIIA” and together with P3AHIV, the “Cartesian Investors”) pursuant to which we issued: (A) US\$40.0 million of Series A Convertible Subordinated Notes due 2027 (the “Series A Convertible Notes”), consisting of US\$20.0 million to THRI and US\$10.0 million to each of P3AHIV and PTAHXXIIA. The Series A Convertible Notes are convertible into Series A-2 Convertible Preferred Shares (the “Series A-2 Convertible Preferred Shares”) (1) at the option of the holder at any time after the later of (i) January 16, 2025 and (ii) the date that is six months following its issue date (i.e. June 28, 2024), and (2) mandatorily upon maturity or on the occurrence of certain change of control events, *provided* that the conversion requirements have been met. The Series A Convertible Notes were issued (i) to THRI in exchange for cash and the settlement of overdue accounts payables and (ii) to the Cartesian Investors in exchange for outstanding promissory notes issued in March 2024 with an outstanding principal amount of US\$20 million (the “Cartesian Existing Notes”). (B) One (1) Series A-2 Convertible Preferred Share to THRI for US\$99.99. Series A-2 Convertible Preferred Shares, which will also be issued upon conversion of the Series A Convertible Notes, are convertible into ordinary shares of the Company with par value of US\$0.0000469793497033866 per share (as adjusted for share splits and combinations) (i) at the option of the holder at any time and (ii) automatically upon the earlier of certain change of control events or June 28, 2028, *provided* that the conversion requirements have been met. (C) One (1) Class A-1 Special Voting Share, in the name of THRI for the benefit of all holders of Series A Convertible Notes. The Class A-1 Special Voting Share is a non-economic share that has certain voting rights. (D) approximately US\$15.7 million of Series A-1 Convertible Subordinated Notes (the “Series A-1 Convertible Notes”, together with “Series A Convertible Notes”, the “Convertible Junior Notes”) which are convertible into ordinary shares (1) at the option of the holder at any time after the later of (i) January 16, 2025 and (ii) the date that is six months following its issue date (i.e. June 28, 2024), and (2) mandatorily upon maturity or on the occurrence of certain change of control events, *provided* that the conversion requirements have been met. The Series A-1 Convertible Notes were issued to P3AHIV (i) in full satisfaction of all deferred contingent consideration due to P3AHIV under the share purchase agreement, dated as of March 30, 2023, among the Company, PLK APAC Pte. Ltd., Popeyes China and P3AHIV and (ii) in satisfaction of the interest due under the Cartesian Existing Notes. Additionally, subject to the satisfaction of certain operational and financial conditions set forth in the securities purchase agreement, we agreed to issue (i) US\$5.0 million of Series A Convertible Notes no later than each of August 15, 2024 (the second tranche) and January 15, 2025 (the third tranche). Whilst we issued the second tranche of Series A Convertible Notes in the principal amount of US\$5.0 million to THRI on August 15, 2024, the third tranche of Series A Convertible Notes was not issued as the necessary closing conditions were not satisfied.

Concurrently with the issuance of the Convertible Senior Secured Notes due 2029 (discussed in the paragraph below), on December 2, 2025, THRI and Cartesian Investors agreed to extend the maturity of the Convertible Junior Notes to September 30, 2029 and adjusted the conversion price thereof. Each of the Convertible Junior Notes bears interest at a per annum rate equal to the secured overnight financing rate as administered by the SOFR Administrator plus eight percent (8.00%) compounding continuously, which will be due and payable at the earlier of conversion or maturity, and shall be paid in kind in the form of additional convertible notes to their respective outstanding principal amount. The Convertible Junior Notes also contain restrictions on payment of dividends or other distributions on, or repurchases or redemptions of, any shares of any class or series of equity securities which are ranked junior to the Convertible Junior Notes and certain customary events of default.

Furthermore, on October 31, 2025, we entered into a convertible note purchase agreement with THRI, Sona Credit Master Fund Limited and Sona Blue Peak, Ltd., pursuant to which we issued, on December 2, 2025, senior secured convertible notes due September 2029 (the “Convertible Senior Secured Notes”) in an aggregate principal amount of approximately US\$89.9 million. The Convertible Senior Secured Notes may be convertible directly into newly issued ordinary shares of us at a price of US\$2.7822 per share, which is based on 110% of the volume-weighted average share price (“VWAP”) for the five trading days immediately prior to the signing of the transaction. On December 2, 2025, The Convertible Senior Secured Notes are secured by a pledge of 100% of the shares of TH Hong Kong International Limited and an all-asset debenture of THIL. THRI and Cartesian Investors agreed to, concurrently with the issuance of the Convertible Senior Secured Notes due 2029, extend the maturity of their 2024 unsecured Convertible Junior Notes from June 28, 2027 to September 30, 2029. The conversion price of these notes will be re-struck to match the conversion price of the Convertible Senior Secured Notes. On December 2, 2025, we announced the closing of the Convertible Senior Secured Notes and that we had repurchased from holders the entire outstanding principal amount of our Notes due 2026. The convertible note purchase agreement also contains covenants that, subject to significant exceptions, restrict the ability of our company and our subsidiaries to, among other things, enter into any new material contract or amend, vary or terminate any existing material contract to which it is a party without first engaging in good faith consultations with THRI. These restrictions and the pledge over 100% of the shares of TH Hong Kong International Limited and an all-asset debenture of THIL could restrict our ability to raise additional capital or take advantage of future opportunities.

In addition, the conversion of the notes or preferred shares 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 or preferred shares could also encourage short sales by third parties, creating additional selling pressure on our share price.

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. 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 have negatively impacted our business during the year ended December 31, 2025 and it is possible these factors may continue during 2026. 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 our future issuance of securities to foreign investors will 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 and several supporting rules, or collectively the New Filing Rules, 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) the issuer's business operations are mainly conducted or located in mainland China, or a majority of the issuer's senior executives in charge of its business operations are PRC citizens or habitually reside in mainland China) shall make a filing with the CSRC within three (3) business days upon the issuer's initial filing of its listing application documents with the foreign stock exchange. In addition, under the New Filing Rules, an overseas-listed issuer will be subject to the following obligations of filing or report: (i) if the issuer issues securities in the future (excluding the securities issued for the purpose of implementing equity incentive, distribution of stock dividends, share split, etc.) in the same overseas stock exchange, or such issuer issues convertible bonds, exchangeable bonds or preferred shares after its overseas issuance and listing, it shall make a filing with the CSRC within three (3) business days upon the completion of such issuance; (ii) if the issuer seeks for the secondary listing or primary listing in any other overseas stock exchange after its overseas issuance and listing, it shall make a filing with the CSRC within three (3) business days after submitting the application documents for issuance and listing overseas; (iii) if the issuer issues the securities in installments within the scope of authorization after its overseas issuance and listing, it shall make a filing with the CSRC within three (3) business days after the completion of its first issuance and state the total amount of the securities to be issued. After the completion of each remaining issuance, it shall submit a consolidated report on the issuance to CSRC; (iv) an overseas listed issuer shall report detailed information to the CSRC within three (3) business days from the occurrence and announcement of the following major events, including the change of such issuer's control right, investigation and punishment imposed by the overseas regulatory security authority or the relevant competent authority, change of its listing status or listed sector, and the termination of listing voluntarily or compulsorily; and (v) where there is any material change in the major business and operation activities of an overseas listed issuer and such change does not fall within the scope of filing requirement, such issuer shall, within three (3) business days from the occurrence of such change, submit a special report and a legal opinion issued by a PRC law firm to the CSRC to explain the relevant information. 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, the domestic companies that have completed overseas public offering and listing prior to the enactment of the New Filing Rules shall be regarded as existing issuers, or the Existing Issuers. As an Existing Issuer, we are subject to the requirements imposed by the New Filing Rules in connection with future securities offerings. 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 rectifications, warnings, and fine ranging from RMB1 million to RMB10 million, and any person who is directly in charge and other directly liable persons could also be subject to administrative penalties, such as warnings and fines. The controlling shareholders, actual controllers and any person who is directly in charge and other directly liable persons thereof of our PRC Subsidiary may be subject to fines if our noncompliance with the filing requirements are organized or instigated by such controlling shareholders and actual controllers.

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.

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. On September 24, 2024, the State Council of China published the Regulations on Network Data Security Administration, which took effect on January 1, 2025. The Regulations on Network Data Security Administration provides that network data processing operators engaging in network data processing activities that affect or may affect national security must be subject to security review in accordance with the relevant PRC regulations. “Network data processing activities” refers to the collection, retention, use, processing, transmission, provision, disclosure, deletion, and other activities of network data. 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 Regulations on Network Data Security Administration 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, 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 changes in the consumer price index for the years ended December 31, 2023, 2024 and 2025 were increases of 0.2% and 0.2%, and remained flat in 2025, 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 or interest of the PRC, or divulges any state secret, (iii) involves designs of the PRC national flag, national emblem, national anthem or the music of the national anthem, the military flag, military song or military emblem, (iv) contains any obscene, pornographic, gambling, superstitious, horrible, or violent contents, or contains ethnic, racial, religious or sexual discrimination contents, (v) endangers personal or property safety or divulges individual privacy, or (vi) disparages products or services of other manufacturers or business operators, etc. 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 foreign exchange or 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 and the ability to repay our debt obligations.

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 and the ability to repay our debt obligations. 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, including payments under dollar-denominated debt obligations, or any foreign operations that we may have in the future or for other uses outside of mainland China, including the repayment of our debt obligations.

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/or the NDRC (with respect to foreign debts with a maturity of more than 1 year), 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, the majority 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 January 5, 2023 and effective on February 10, 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 issued the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (the “2019 Circular 28”), which took effect on the same day. On December 24, 2023, SAFE further issued the Circular on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (the “2023 Circular 28”), which took effect on the same day. These circulars allow 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, the 2019 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. The 2023 Circular 28 relaxed the restrictions on the scale of preliminary expenses for overseas direct investment. The restriction that the cumulative remittance amount of preliminary expenses for overseas direct investment by a domestic enterprise shall not exceed the equivalent of US \$3 million shall be abolished, provided that the cumulative remittance amount shall not exceed 15% of the total amount proposed to be invested by the PRC party. In addition, where a domestic equity transferor (including institutions and individuals) receives funds from equity transfer consideration paid by a domestic entity in a foreign currency and foreign exchange funds raised from overseas listing of a domestic enterprise, such funds may be directly remitted to the settlement account under the capital account. Funds in the settlement account under the capital account may be settled and used on its own. The funds from equity transfer consideration paid by a foreign-invested enterprise with Renminbi funds from income from foreign exchange settlement (sourced from income from direct foreign exchange settlement or Renminbi funds in the foreign exchange settlement account pending for payment) received by a domestic equity transferor may be directly transferred to the Renminbi account of the domestic equity transferor.

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, including payments under dollar-denominated debt obligations, 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 the NDRC, 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 February 15, 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 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 do not 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 or our shareholders, 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 and food and beverage sector 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 are unable to continue to meet the listing requirements of Nasdaq, our Class A Ordinary Shares will be delisted.

On July 19, 2024, we received a notice from the Nasdaq Stock Market LLC, stating that our ordinary shares fail to comply with the Minimum Bid Price Requirement for continued listing on Nasdaq in accordance with Nasdaq Listing Rule 5550(a)(2) based upon the closing bid price of the ordinary shares for the 30 consecutive business days prior to the date of the notice, and we were given an initial compliance period of 180 calendar days, or until January 15, 2025, to regain compliance. On January 7, 2025, we announced a 1-for-5 share consolidation of our ordinary shares effective December 31, 2024 at 5:00pm Eastern Time (the “Reverse Stock Split”). Despite the aforementioned Reverse Stock Split, the bid price for our ordinary shares did not close at \$1.00 or above for the requisite minimum consecutive number of trading days prior to January 15, 2025. As a result, we received a customary formal notice from Nasdaq on January 21, 2025, indicating that our ordinary shares were subject to delisting due to non-compliance. On January 28, 2025, we received another notification letter from Nasdaq confirming that we had regained compliance. For the last 10 consecutive business days, from January 13 through January 27, 2025, the closing bid price of our ordinary shares had been above \$1.00 per share. Accordingly, we have regained compliance and our ordinary shares are no longer subject to delisting.

In the event of a delisting from the Nasdaq Capital Market, our ordinary shares would likely be traded in the over-the-counter inter-dealer quotation system, more commonly known as the OTC. OTC transactions involve risks in addition to those associated with transactions in securities traded on the securities exchanges, such as the Nasdaq Capital Market, or other exchange-listed stocks. Many OTC stocks trade less frequently and in smaller volumes than exchange-listed stocks. Accordingly, our ordinary shares would be less liquid than it would be otherwise. Also, the prices of OTC stocks are often more volatile than exchange-listed stocks. Additionally, many institutional investors are prohibited from investing in OTC stocks, and it might be more challenging to raise capital when needed.

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 and/or dilution effect attributable to shares issued through convertible notes 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. 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. For more details, see “Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Cash Flows and Working Capital-- Committed Equity Facility.”

In addition, we have filed the Resale Registration Statement with the SEC, registering up to 9,949,865 ordinary shares (excluding ordinary shares previously issuable upon the exercise of warrants) held 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 compared to other public investors and may be incentivized to sell their securities when others are not. The public security holders 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.

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, and (2) 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. 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 may be 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 48.6% of our outstanding ordinary shares through entities controlled by him. 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 are 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 financial statements as of and for the year ended December 31, 2025, 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 weaknesses, we 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, especially on complex U.S. GAAP accounting issues and related disclosures, (iii) enhancing U.S. GAAP accounting policies, procedures manual and management functions, which will be maintained, reviewed and updated, on a regular basis, to the latest U.S. GAAP accounting standards, (iv) improving period end financial closing policies and procedures for preparation of consolidated financial statements; and (v) engaging extend specialists and consultants to improve processes and system designs and monitoring controls over period-end financial closing procedures. 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 own 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 on April 25, 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.

On July 19, 2024, we received a notice from the Nasdaq Stock Market LLC, stating that our ordinary shares fail to comply with the \$1.00 Minimum Bid Price Requirement for continued listing on Nasdaq in accordance with Nasdaq Listing Rule 5550(a)(2) based upon the closing bid price of the ordinary shares for the 30 consecutive business days prior to the date of the notice. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), we were given an initial compliance period of 180 calendar days, or until January 15, 2025, to regain compliance with the Minimum Bid Price Requirement.

On January 7, 2025, we announced a 1-for-5 share consolidation of our ordinary shares effective December 31, 2024 at 5:00pm Eastern Time (the "Reverse Stock Split"). The Reverse Stock Split was approved by our shareholders on December 20, 2024 and the board of directors on December 23, 2024. Our ordinary shares began trading on an adjusted basis giving effect to the Reverse Stock Split on January 13, 2025 under the existing ticker symbol "THCH". As a result of the Reverse Stock Split, our authorized share capital shall be US\$5,000 divided into 100,000,000.00 ordinary shares with a nominal or par value of US\$0.0000469793497033866 each and 6,429,740.547038 shares with a nominal or par value of US\$0.0000469793497033866 each of such class or classes (however designated) as the board of directors may determine in accordance with our memorandum and articles of association.

Despite the aforementioned Reverse Stock Split, the bid price for our ordinary shares did not close at \$1.00 or above for the requisite minimum consecutive number of trading days – at least 10, generally not more than 20 – prior to the expiration of the applicable grace period on January 15, 2025. As a result, we received a customary formal notice from Nasdaq on January 21, 2025, indicating that our ordinary shares were subject to delisting due to non-compliance.

On January 28, 2025, we received another notification letter from Nasdaq confirming that we had regained compliance. For the last 10 consecutive business days, from January 13 through January 27, 2025, the closing bid price of our ordinary shares had been above \$1.00 per share. Accordingly, we have regained compliance with the Minimum Bid Price Requirement, and the matter is closed. Therefore, our ordinary shares are no longer subject to delisting.

On January 21, 2026, the Company's Board of Directors approved an ESOP exercise price adjustment for share options granted under the 2019 Share Option Scheme to the lower of US\$2.7822 per share and the original ESOP exercise price.

Our registered office 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. Our website address is 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 the exclusive master franchisees in China for Tim Hortons, a leading global coffee and bakery shop brand. 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, 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, 2025, we had 1,047 system-wide stores across 92 cities 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 2023, 2024 and 2025, digital orders, including both delivery and mobile ordering for self pick-up, accounted for approximately 82.1%, 86.1% and 89.3% 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 18.5 million, 24.0 million and 31.0 million members as of December 31, 2023, 2024 and 2025, respectively. In February 2022 and July 2023, respectively, Tim Hortons China and Popeyes Shanghai each transferred control and possession of the personal data of their customers to DataCo, a PRC-incorporated company, pursuant to their respective Business Cooperation Agreement with DataCo. 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, in 2024 and 2025, we made a strategic adjustment to prune certain underperforming company owned and operated stores and to focus more on the franchised business, our revenue in 2024 and 2025 decreased by 10.8% and 5.4% compared to 2023 and 2024. In the meantime, we maintained positive adjusted company owned and operated store contribution for the past 11 consecutive quarters. The fully-burdened gross profit of our company owned and operated stores, the most comparable GAAP measure to adjusted company owned and operated store contribution, for 2023, 2024 and 2025 was negative RMB109.4 million, negative RMB42.0 million and RMB32.7 million (US\$4.7 million), respectively. During the same periods, our adjusted company owned and operated store contribution was RMB29.4 million, RMB87.6 million, and RMB75.3 million (US\$10.8 million), respectively. For more details regarding adjusted company owned and operated store contribution, 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 decreased from RMB1,560.0 million in 2023 to RMB1,391.2 million in 2024, and then decreased to RMB1,316.2 million (US\$188.2 million) in 2025. Our total costs and expenses decreased from RMB2,277.9 million in 2023 to RMB1,740.2 million in 2024, and then decreased to RMB1,633.5 million (US\$233.6 million) in 2025. Our net loss significantly decreased from RMB872.9 million in 2023 to RMB409.0 million in 2024, and then increased to RMB435.8 million (US\$62.3 million) in 2025. 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 2022/23, domestic consumption (measured in 60-kilogram bags) in China was only 5.0 million bags, compared to 24.6 million bags in the United States and 6.9 million in Japan.

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, RMB24.0 coffee plus bagel sandwich lunchbox combos. 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 2025, the percentage of orders with food increased to 39.5% from 36.8% in 2024.

Robust Local Supply Chain

Drawing on our management's experience and network, 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 2023, 2024 and 2025, digital orders, including both delivery and mobile ordering for self pick-up, accounted for approximately 82.1%, 86.1% and 89.3% 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 maintained steady growth in our store roll-out, opening 34 stores in 2019, 103 stores in 2020, 253 stores in 2021, 227 stores in 2022, 285 stores in 2023, 120 stores in 2024 and 25 stores in 2025.

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 shareholders, including Cartesian, THRI, Tencent and HongShan (formerly known as 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 four 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. Additionally, our “Tims Express” stores offer a compact and efficient footprint that integrates easily into the stores of our franchise partners with whom we collaborate, exhibiting our signature welcoming design. 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 and well-tiered portfolio of coffee beverages across three distinct price bands. At the entry level, our signature freshly brewed coffee—customizable with cream and sugar, alongside flavored Americanos—serves as a key traffic driver. Our core menu focuses on handcrafted espresso-based beverages, including Lattes, Flat Whites, Double Doubles, and Spanish Lattes, delivering strong value at a slightly higher price point. Meanwhile, we continue to innovate with specialty and trend-driven offerings such as Cold Brew and seasonal LTOs, including popular series like Cheese, Rose, and Pomegranate. Beyond coffee, we provide a diversified beverage lineup, including freshly brewed teas, sparkling lemon drinks, Black Tea Lattes, and Matcha Lattes, catering to evolving consumer preferences.

+3
UP SIZE 升杯

Tim Hortons

新鲜即美味 健康低负担

鲜萃&美式系列

FRESHLY BREWED & AMERICANO

| | 中杯 12oz | |
|---|------------|----|
| | 会员价 | 原价 |
| 鲜萃黑咖 -26.00 Brewed Coffee | 16 | 16 |
| 美式 -11.00 Americano | 18.5 | 23 |
| 黑巧风味美式 -91.00 Dark Chocolate Flavored Americano | 16.5 | 23 |
| 山楂美式 -99.00 Hawthorn Americano | 19.5 | 25 |
| 柑橘美式 -119.00 Citrus Americano | 19.5 | 25 |

拿铁系列

CLASSIC COFFEE

| | 中杯 12oz | |
|--|------------|----|
| | 会员价 | 原价 |
| 拿铁 -163.00 Latte | 22.9 | 26 |
| 燕麦拿铁 -131.00 Oat Milk Latte | 22.9 | 26 |
| 生椰拿铁 -181.00 Coconut Milk Latte | 23.9 | 28 |
| 水牛乳拿铁 -168.00 Buffalo Milk Latte | 24.9 | 28 |
| 澳白 -164.00 Flat White | 28 | 28 |
| 燕麦澳白 -152.00 Oat Milk Flat White | 28 | 28 |

加倍浓醇&不止拿铁

DOUBLE DOUBLE & SPANISH LATTE

| | 中杯 12oz | |
|--|------------|----|
| | 会员价 | 原价 |
| 加倍浓醇拿铁 -179.00 Double Double Latte | 24.9 | 28 |
| 不止拿铁 -311.00 Spanish Latte | 25.9 | 28 |

冷萃咖啡

COLD BREW COFFEE

| | 中杯 12oz | |
|--|------------|----|
| | 会员价 | 原价 |
| 冷萃冰咖啡 -12.00 Cold Brew | 22.9 | 24 |
| 生椰冷萃 -184.00 Fresh Coconut Cold Brew | 23.9 | 26 |

非咖系列

NON-COFFEE SERIES

| | 中杯 12oz | |
|---|------------|----|
| | 会员价 | 原价 |
| 鲜萃红茶 -4.00 Brewed Black Tea | | 16 |
| 鲜萃红茶拿铁 -171.00 Black Tea Latte | 22 | |
| 可可拿铁 -169.00 Cocoa Latte | 24 | |
| 抹茶拿铁 -129.00 Matcha Latte | 24 | |
| 柠檬气泡饮 -132.00 Lemon Sparkling Drink | 16 | |

¥9.9 购吃饱卡30天 热销套餐天天享6折

自带杯 -8元
本店享 88MB OFF For Bringing Your Own Cup
 自带杯 = 非一次性杯子, 详情请向店员!
 标准杯容量: 中杯(含冰)容量=400ml 大杯(含冰)容量=450ml

*会员价=22.9元, 原价=26元, 会员专享, 产地: 加拿大

On the food side, bagels remain at the heart of our offering. Signature products such as Whole Grain Bagels and Smile Bagels continue to resonate strongly with consumers. To date, we have sold over 80 million bagels—equivalent to stacking more than 6,000 Oriental Pearl Towers. In 2025, we further expanded into lunch occasions with the launch of our “Light Bagel Sandwich Lunch Box” series, reinforcing our positioning around convenient, high-quality, and balanced meal solutions. Built around a bagel sandwich (or wrap), paired with salad and coffee, this offering targets urban consumers seeking healthier Western-style lunch options. At the same time, we are scaling our croissant platform, with popular items such as the Round Croissant and Cheese Lava Croissant emerging as strong contributors, further diversifying our food mix alongside bagels.



新鲜即美味 健康低负担

| 谷物贝果 (含奶油芝士) | | 热烤贝果堡/轻体系列午餐盒 | | 微笑贝果 | | 可颂 | | 卷/轻体系列午餐盒 | |
|--|----|---|----|--------------------------------------|----|--|----|--|----|
| BAGELS | 原价 | BAGEL SANDWICHES | 原价 | SMILE BAGELS | 原价 | CROISSANTS | 原价 | WRAPS | 原价 |
| 肉桂提子贝果 Cinnamon Raisin Plain Bagel | 16 | 芝士流心蛋贝果堡 Cheese Egg Bagel Sandwich | 18 | 微笑贝果·蓝莓芝士 Smile Bagel - Blueberry | 19 | 圆圈可颂 Croissant | 12 | 烤牛肉贝果堡 Roasted Beef Bagel Sandwich | 29 |
| 全麦贝果 Whole Grain Bagel | 16 | 黑松露菌菇贝果堡 Perigord Truffle Bagel Sandwich | 22 | | | 芝士流心蛋可颂 Cheese Egg Croissant | 16 | 辣烤牛肉贝果堡 Spicy Roasted Beef Bagel Sandwich | 29 |
| 黑麦坚果多多贝果 Mixed Nuts Bagel | 16 | 无肉也欢火腿蛋贝果堡 Vegetarian Ham Egg Bagel Sandwich | 22 | | | 蛋香牛肉芝士可颂 Egg & Beef Cheese Croissant | 20 | 辣烤蛋香鸡腿肉贝果堡 Spicy Roasted Chicken Bagel Sandwich | 25 |
| 碱水红豆贝果 Red Bean Brezeln Bagel <small>*此款为无糖贝果 不含奶油芝士</small> | 16 | 蛋香鸡腿肉贝果堡 Roasted Chicken Bagel Sandwich | 25 | | | 牛油果鸡肉贝果堡 Avocado & Chicken Bagel Sandwich | 27 | | |
| 超模贝果·熏香鸡肉 Low Fat Chicken Bagel <small>*此款为无糖贝果 不含奶油芝士</small> | 16 | 牛油果鸡肉贝果堡 Avocado & Chicken Bagel Sandwich | 27 | | | 黑松露培根安格斯贝果堡 Black Truffle Angus Beef Bagel Sandwich | 29 | | |
| | | | | | | | | | |
| | | | | | | | | | |



¥9.9. 购吃货卡30天 热销套餐天天享6折

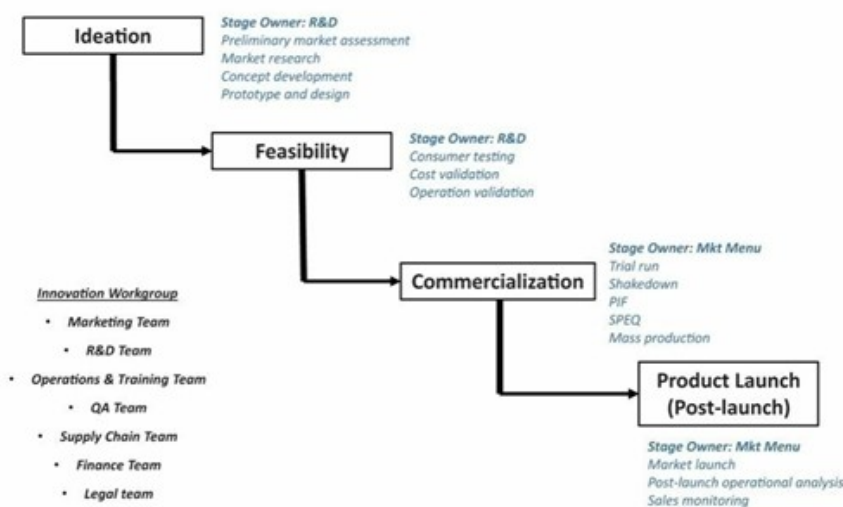
New product development is a key driver of our long-term success. We gather guest feedback and insights to inform the creation of new products. We believe the development of new products can drive incremental traffic by expanding our customer base, expanding our offerings in multiple dayparts, and continuing 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. In September 2023, we celebrated the Bagel Festival with celebrity guest Muchi Chen, contributing to the brand’s emergence as one of the most favored bagel and coffee shops in China. The total units of bagels sold reached an impressive 19.1 million in 2025. In December 2023, we partnered with SpongeBob SquarePants, achieving over 10 million exposures on social platforms and significantly enhancing brand awareness among the younger demographic. The collaborative product, Strawberry Flavored Latte, saw sales of 286 thousand cups within three months, with a re-purchase rate of 19% among our membership base. Later in 2023, we partnered with ride-hailing company DiDi Chuxing (“DiDi”) in a strategic brand-building initiative. This partnership focuses on cross-brand and cross-channel marketing, leveraging DiDi’s extensive customer base to elevate Tims China’s brand visibility. As a result, we acquired approximately 20,000 new loyalty club members and generated around RMB1.7 million in incremental sales. Notably, the initiative garnered significant attention on Xiaohongshu (also known as Red), a prominent social media platform in China, accumulating over 11 million views. In September 2024, Tims China partnered with Meng Lan, the beloved panda superstar, to celebrate the second annual Bagel Festival, with a theme as “Healthy and Delicious: Bagel Maverick.” This collaboration with Meng Lan, the “Chief Bagel Recommendation Officer”, introduces four new seasonal products, crafted with low-calorie ingredients, offering a delicious and also health-conscious way to enjoy our celebrated bagels. To further celebrate the Bagel Festival, Tims China is offering special promotions, including the “Multi-Grain Bagel Six-Pass,” “Smile Bagel Three-Pass,” and an exclusive deal for new members to enjoy popular Multi-Grain Bagel for just 8.8 RMB.

Tims China has built a diverse “Bagel Universe,” featuring the nutritious “Multi-Grain Bagel” series, the light and tasty “Smile Bagel” series, and the energizing “Bagel Sandwich” line:

- “Multi-Grain Bagel” series: The highly nutritious Multi-Grain Bagel is made with whole wheat flour or rye flour and contains an assortment of flax seeds, oats, sunflower seeds, and a variety of grains and other seeds. It gives customers a fiber-rich breakfast or lunch option. The latest additions to the “Multi-Grain Bagel” series—Five-Red Bagel and Five-Black Bagel—combine the freshness of the grains with the power of superfoods, providing a satisfying and nutritious meal or snack. All under 300 calories and available with cream cheese.
- “Smile Bagel” series: Stuffed with a delicious cream cheese filling, bursting with flavors and all under 300 calories, Smile Bagel is perfect match for morning coffee or an afternoon treat.
- “Bagel Sandwich” line: The ultimate breakfast or lunch bagel, made fresh on the spot. A toasted bagel with meat, egg, cheese, and veggies, the energy-boosting and protein-rich Bagel Sandwich can bolster the day in a jiffy.

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

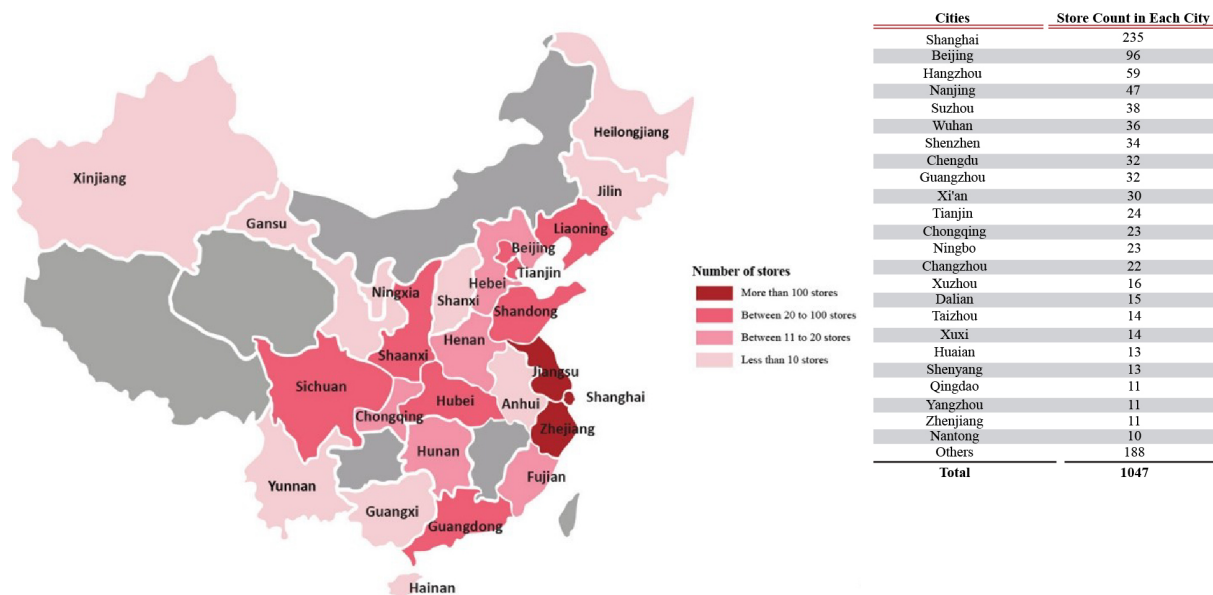
Driving the coffee market’s rapid growth is an expanding group of coffee drinkers in China, including among others, the emerging middle class, office workers, overseas returnees, and people who are drawn to global brands. From the beginning, our focus has been on offering our guests compelling values, both functional and emotional. Since we introduced our loyalty program in 2019, our membership has experienced tremendous growth, reaching 18.5 million, 24.0 million and 31.0 million as of December 31, 2023, 2024 and 2025, 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 their customers to DataCo, a PRC-incorporated company, pursuant to their respective Business Cooperation Agreement with DataCo. For a more detailed description, see “-Digital Technology and Information Systems.”

Our Store Network

As of December 31, 2025, we had 1,047 stores across 92 cities in mainland China, of which 485 are franchised and 562 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.
- 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 and 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, 2025, we had 22 flagship stores, 786 classic stores, 79 “Tims Go” stores and 160 “Tims Express” stores.



Site Selection and Expansion

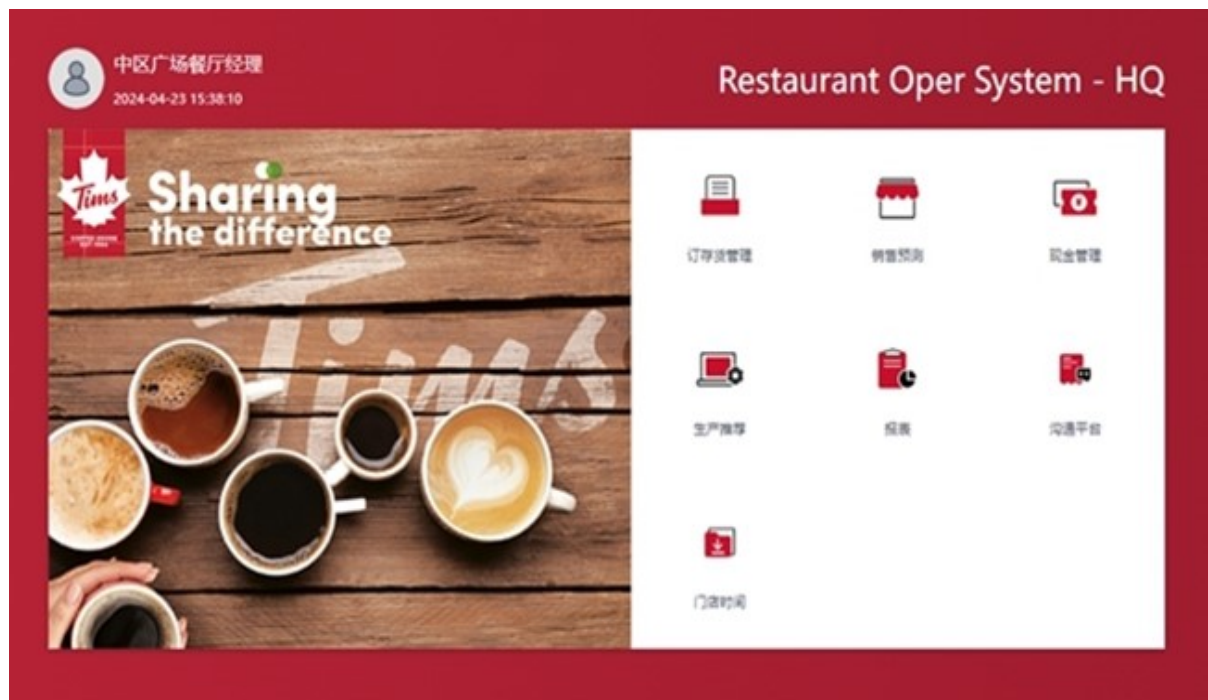
For store development, we utilize a clustering strategy, whereby we focus our store development efforts on a geographically proximate group of cities and trade areas, centered on a large tier-one city. This allows us to build store density quickly, thereby increasing brand awareness, driving convenience, 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. In 2025, we made a strategic adjustment to prune certain underperforming company owned and operated stores and to focus more on the franchised business. We work closely with well-selected, qualified franchisees and remain disciplined to open high-quality franchised stores in those cities that we operate or into new lower-tier cities, or in exceptional locations to which the franchise has unique access. As of December 31, 2025, we received over 10,000 individual franchisee applications.

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, 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.

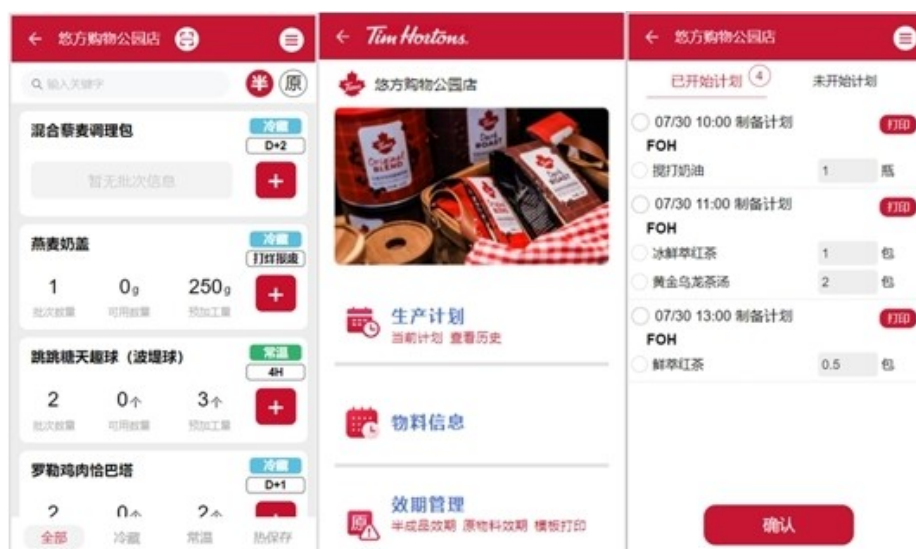
We import roasted coffee beans from THRI's world-class roasteries. All other inputs are sourced in China, with fresh produce and dairy sourced regionally. To mitigate risks associated with reliance on a single supplier, with the exception of coffee beans, we have developed both primary and secondary 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 1 - 2 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 Agreements and all intellectual property therein (collectively, "TH China and PPE China Data");
- 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 each of 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 and PPE 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 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 2023, in-store sales, mobile ordering for self pick-up and delivery accounted for approximately 17.9%, 33.4% and 48.7% of our revenues from company owned and operated stores, respectively. In 2024, in-store sales, mobile ordering for self pick-up and delivery accounted for approximately 13.1%, 31.9% and 55.0% of our revenues from company owned and operated stores. In 2025, in-store sales, mobile ordering for self pick-up and delivery accounted for approximately 8.1%, 26.3% and 63.6% 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.

As of year-end 2025, Tims China's total membership base surpassed 31.0 million. Over the course of the year, we continued to enhance our CRM capabilities, building a full-lifecycle engagement model anchored in more refined and segmented member operations. Our focus remains on deepening emotional connection while driving high-quality, scalable growth.

To support retention and frequency, we rolled out a series of IP-led engagement initiatives, including our weekly Super Member Day, New Year Fortune Draw, and Bagel Festival—designed to reinforce habitual engagement and strengthen brand affinity. We also accelerated our omnichannel integration through collaboration with Taobao Instant Retail's membership ecosystem, enabling seamless connectivity across member identity, benefits, and transaction data. This has expanded our acquisition channels and improved overall operating efficiency. In parallel, we continued to scale our "Coffee+" ecosystem through partnerships with leading platforms such as Ctrip, Didi, and JD.com. These collaborations enriched our member value proposition while driving incremental growth.

Notably, our July "Pet Companion" campaign—combining coffee, pets, and corporate social responsibility—generated over 2 million impressions and increased mini-program traffic by 30% month-over-month. In August, our campaign with Ctrip drove strong engagement, with over 300,000 members participating within five days. During the National Day holiday in October, our partnership with Didi contributed more than one million new member registrations.

Overall, through continued investment in IP campaigns, omnichannel integration, and cross-sector partnerships, we expanded our membership base, enhanced engagement quality, and strengthened the foundation for long-term, sustainable growth.



We continue to strengthen brand relevance and deepen engagement—particularly among younger consumers—through co-branding initiatives and ambassador collaborations. This year, we appointed singer-songwriter and influencer Lars Huang as our brand ambassador. With a strong creative identity and broad social influence, Lars brings meaningful resonance and helps us connect more authentically with Gen Z audiences.



We also elevated our cultural positioning through high-impact partnerships, including collaborations with the hit TV series *The Vendetta of An* and with *People's Daily* for a National Day campaign celebrating everyday heroes across China. These initiatives leverage culturally relevant storytelling to drive deeper consumer connection and social engagement.



In parallel, we continued to advance our sustainability agenda. We expanded our Bring-Your-Own-Cup program and increased incentives to RMB 8 per cup. To date, the program has attracted over 200,000 participants, reducing carbon emissions by approximately 8 tons—equivalent to planting around 360 trees.



We also introduced eco-friendly straws in partnership with Tencent's CarbonX program, leveraging carbon capture technology to convert industrial CO₂ into sustainable materials. SGS certification indicates that every 100 straws store 3.185 grams of CO₂, reinforcing our commitment to sustainable innovation.

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 in the coffee shop industry include both new and well-established quick service restaurants and coffee chains, independent local coffee shop operators, as well as convenience stores and grocery store, with key competitors including Luckin Coffee, Starbucks, COTTI Coffee, and Manner.

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 Peets, Starbucks, Costa Coffee, Pacific Coffee, Manner Coffee and above the list price of Luckin and COTTI Coffee. As consumers continue to seek higher quality offerings, especially given an increasing consumer focus on responsible sourcing, ingredients and preparation, we believe there is significant demand and opportunity in our market space and that we are well-positioned to compete effectively with existing and new competitors on the basis of these factors. In addition, we place a focus on innovation and localization to ensure our menu offerings stand out from our competitors.

However, the restaurant industry is intensely competitive and we compete with many well-established food service companies on the basis of product choice, quality, affordability, service and location. The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns, the type, number and location of competing restaurants, and disposable income. Our competitors may also 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 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, 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, 2025, out of the 1,047 company owned and franchised stores, 14 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 2025. 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, six 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, including payments under dollar-denominated debt obligations, 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 an aggregate of US\$126.0 million in cash transfer of capital expenses among THIL and its subsidiaries.

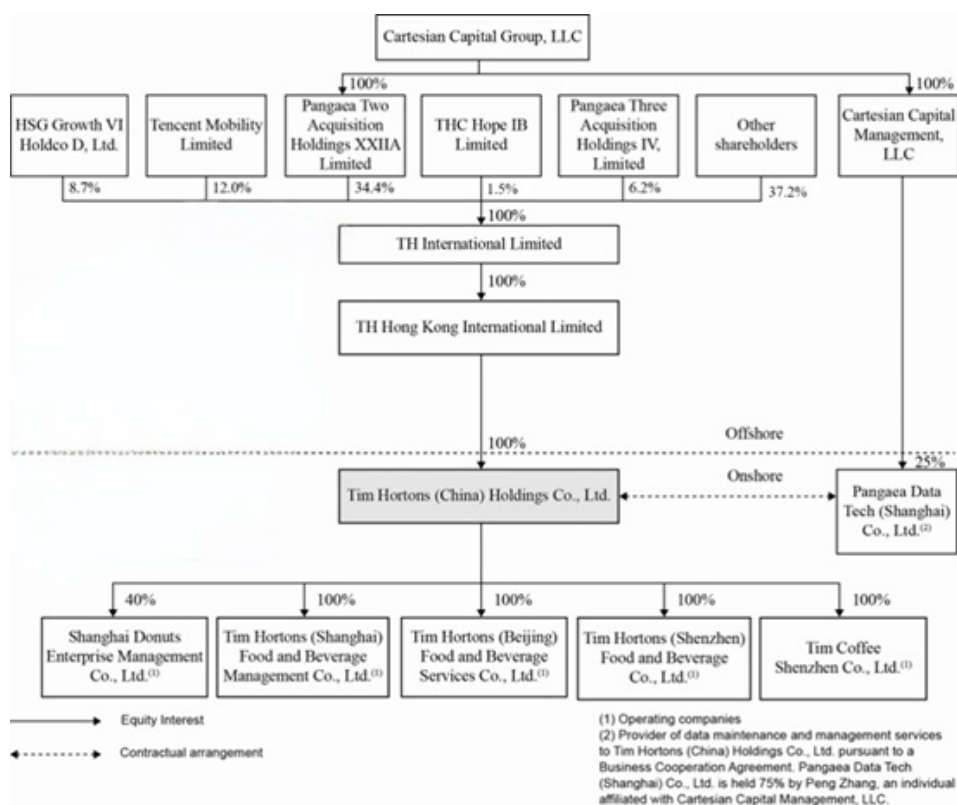
Shareholder loans and capital contributions. THIL's subsidiaries may only access THIL's proceeds from the offerings of its listed securities through loans or capital contributions from THIL. Loans by THIL to its PRC Subsidiaries to finance their operations shall not exceed certain statutory limits and 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\$309.3 million in cash to TH Hong Kong International Limited ("THHK") as capital injections and shareholder loans, and THHK has transferred an aggregate of US\$297.7 million in cash to Tim Hortons China and US\$7.4 million in cash to Tim Hortons (Shanghai) Food and Beverage Management Co., Ltd. as capital injections and shareholder loans. See page F-21 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, 2024 and 2025, 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.

C Organizational Structure

THIL is a Cayman Islands exempted company that was incorporated on April 25, 2018 and acts as a holding company that conducts its operations in mainland China through its PRC 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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this annual report. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements as a result of many factors, including those factors set forth in the sections titled "Item 3. Key Information – D. Risk Factors" and "Forward-Looking Statements." We caution you that our businesses and financial performance are subject to substantial risks and uncertainties. For discussion of year-over-year comparisons between 2024 and 2023 that are not included in this annual report on Form 20-F, refer to "Item 5. Operating and Financial Review and Prospects" found in our Form 20-F for the year ended December 31, 2024, that was filed with the Securities and Exchange Commission on May 15, 2025.

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;
- 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.

| Year | Company owned and operated Stores | Franchise Stores | Total |
|-------------|--|-----------------------------|--------------|
| 2019 | 31 | 3 | 34 |
| 2020 | 128 | 9 | 137 |
| 2021 | 373 | 17 | 390 |
| 2022 | 547 | 70 | 617 |
| 2023 | 619 | 283 | 902 |
| 2024 | 576 | 446 | 1,022 |
| 2025 | 562 | 485 | 1,047 |

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 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.

Inflation and Supply Chain Impacts

Rising inflation, geopolitical conflicts, including the war in Ukraine and the Middle East, 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 coffee beans has been fluctuant since our inception. 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," "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" 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, Ukraine, the middle east and Iran, our business, financial condition and results of operations have been, and could continue to be, indirectly and adversely affected by these geopolitical tensions. 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: (i) 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. 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.

Our profit margins for beverage products have also remained relatively stable in 2024 and 2025, despite having slightly increased the rate of promotional discounts without raising the average list price of our beverage products, including coffees. If the costs and expenses described above continue to increase, we may raise the list price of our beverage products in the future. However, there can be no assurance that any such increase would be sufficient 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.

Completion of Warrant Exchange Offer

As previously disclosed, we completed an exchange offer relating to our outstanding warrants (the “Offer”) on June 14, 2023. Each warrant that was outstanding upon the closing of the Offer was exchanged for 0.216 ordinary shares of the Company per warrant on June 27, 2023 (the “Post-Offer Exchange”). Pursuant to the Offer and the Post-Offer Exchange, we issued an aggregate of 1,083,949 ordinary shares in exchange for all of our outstanding warrants, increasing the number of ordinary shares outstanding from 32,069,622 to 33,153,571. As a result of the completion of the Offer and the Post-Offer Exchange, no warrants remain outstanding. The Public Warrants have been delisted upon completion of the Post-Offer Exchange. The purpose of the Offer was to simplify our capital structure and reduce the potential dilutive impact of the warrants.

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, | | | | | | |
|--|---------------------------------|---------------|------------------|---------------|------------------|----------------|---------------|
| | 2023 | | 2024 | | 2025 | | |
| | (in thousands, except for %) | | | | | | |
| | RMB | % | RMB | % | RMB | US\$ | % |
| Sales of food, beverage and packaged products by Company owned and operated stores | 1,389,641 | 89.1% | 1,188,293 | 85.4% | 1,068,170 | 152,746 | 81.2% |
| Franchise fees | 15,443 | 1.0% | 24,215 | 1.7% | 36,552 | 5,227 | 2.8% |
| Revenues from other franchise support activities | 66,878 | 4.3% | 149,458 | 10.7% | 196,105 | 28,043 | 14.9% |
| Revenue from e-commerce sales | 59,067 | 3.8% | 809 | 0.1% | - | - | -% |
| Revenues from wholesale and other activities | 28,977 | 1.9% | 28,383 | 2.0% | 15,369 | 2,198 | 1.2% |
| Total revenues | <u>1,560,006</u> | <u>100.0%</u> | <u>1,391,158</u> | <u>100.0%</u> | <u>1,316,196</u> | <u>188,214</u> | <u>100.0%</u> |

- **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.
- **Revenues from e-commerce sales.** We generate revenue from sales of packaged coffee, tea beverages and single-serve coffee and tea products to customers through third-party e-commerce platforms.
- **Revenues from wholesale products.** We generate revenue from wholesale of canned coffee beverage and packaged coffee extract.

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, | | | | | | |
|--|---------------------------------|---------------|------------------|---------------|------------------|----------------|---------------|
| | 2023 | | 2024 | | 2025 | | |
| | (in thousands, except for %) | | | | | | |
| | RMB | % | RMB | % | RMB | US\$ | % |
| Costs and expenses, net | | | | | | | |
| Company owned and operated stores | | | | | | | |
| Food and packaging | 486,359 | 21.8% | 374,086 | 21.5% | 321,948 | 46,038 | 19.7% |
| Store rental expenses | 289,556 | 13.0% | 241,425 | 13.9% | 220,885 | 31,586 | 13.5% |
| Payroll and employee benefits | 304,545 | 13.7% | 231,542 | 13.3% | 199,342 | 28,506 | 12.2% |
| Delivery costs | 116,449 | 5.2% | 119,171 | 6.8% | 130,649 | 18,682 | 8.0% |
| Other operating expenses | 118,634 | 5.3% | 95,036 | 5.5% | 84,317 | 12,057 | 5.2% |
| Store depreciation and amortization | 138,735 | 6.2% | 129,614 | 7.4% | 107,930 | 15,434 | 6.6% |
| Company owned and operated store costs and expenses | 1,454,278 | 65.3% | 1,190,874 | 68.4% | 1,065,071 | 152,303 | 65.2% |
| Costs of other revenues | 149,692 | 6.7% | 153,612 | 8.8% | 171,326 | 24,499 | 10.5% |
| Marketing expenses | 96,679 | 4.3% | 64,849 | 3.7% | 63,457 | 9,074 | 3.9% |
| General and administrative expenses | 325,259 | 14.6% | 210,323 | 12.1% | 204,341 | 29,222 | 12.5% |
| Franchise and royalty expenses | 57,063 | 2.6% | 57,761 | 3.3% | 62,736 | 8,971 | 3.8% |
| Other operating costs and expenses | 28,872 | 1.3% | 10,794 | 0.6% | 3,283 | 469 | 0.2% |
| Loss on disposal of property and equipment | 16,404 | 0.7% | 4,147 | 0.2% | 6,470 | 925 | 0.4% |
| Impairment losses of long-lived assets | 111,427 | 5.0% | 56,287 | 3.2% | 60,320 | 8,626 | 3.7% |
| Other income | (11,743) | (0.5)% | (8,408) | (0.5)% | (3,455) | (494) | (0.2)% |
| Total costs and expenses, net | 2,227,931 | 100.0% | 1,740,239 | 100.0% | 1,633,549 | 233,595 | 100.0% |

- **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, other operating expenses, and store depreciation and amortization.

- **Costs of other revenues.** Costs of other revenues primarily consist of costs related to the costs of raw materials for food, beverage and packaged products and kitchen equipment that we sell to sub-franchisees and costs of product and kitchen equipment sales related to our e-commerce business.
- **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, and the amortization of franchise rights.
- **Other operating costs and expenses.** Other operating costs and expenses primarily consist of the miscellaneous taxes and costs related to recovery of closed stores.
- **Loss on disposal of property and equipment.** When assets are disposed of, whether through retirement or sale, the net gain or loss is recognized in net loss. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value less estimated costs to sell.
- **Impairment losses 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.
- **Other income.** Other income primarily consists of government grants and additional input VAT deductions.

Non-operating Income and Expenses

- **Interest income.** Interest income primarily consists of interest received on cash deposited in bank accounts and received from short-term investment.
- **Interest expenses.** Interest expenses primarily consist of interests in relation to our bank borrowings and promissory notes.
- **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.
- **Loss of debt extinguishment.** Loss of debt extinguishment represents the extinguishment loss of financial liabilities under extinguishment accounting.
- **Changes in fair value of convertible notes.** Changes in fair value of convertible notes are the fair value changes of convertible notes measured at fair value, excluding impact of instrument-specific credit risk.

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 and PLKC HK International Limited are 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, 2023, 2024 and 2025.

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.

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, 2024 and 2025

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

| | For the year ended December 31, | | | | |
|--|---------------------------------|----------------|------------------|-----------------|----------------|
| | 2024 | | 2025 | | |
| | (in thousands, except for %) | | | | |
| | RMB | % | RMB | US\$ | % |
| Revenues: | | | | | |
| Company owned and operated stores | 1,188,293 | 85.4% | 1,068,169 | 152,747 | 81.2% |
| Other revenues | 202,865 | 14.6% | 248,027 | 35,467 | 18.8% |
| Total revenues: | 1,391,158 | 100.0% | 1,316,196 | 188,214 | 100.0% |
| Costs and expenses, net | | | | | |
| Company owned and operated stores | | | | | |
| Food and packaging | 374,086 | 26.9% | 321,948 | 46,038 | 24.5% |
| Store rental expenses | 241,425 | 17.4% | 220,885 | 31,586 | 16.8% |
| Payroll and employee benefits | 231,542 | 16.6% | 199,342 | 28,506 | 15.1% |
| Delivery costs | 119,171 | 8.6% | 130,649 | 18,682 | 9.9% |
| Other operating expenses | 95,036 | 6.8% | 84,317 | 12,057 | 6.4% |
| Store depreciation and amortization | 129,614 | 9.3% | 107,930 | 15,434 | 8.2% |
| Company owned and operated store costs and expenses | 1,190,874 | 85.6% | 1,065,071 | 152,303 | 80.9% |
| Costs of other revenues | 153,612 | 11.0% | 171,326 | 24,499 | 13.0% |
| Marketing expenses | 64,849 | 4.7% | 63,457 | 9,074 | 4.8% |
| General and administrative expenses | 210,323 | 15.1% | 204,341 | 29,222 | 15.5% |
| Franchise and royalty expenses | 57,761 | 4.2% | 62,736 | 8,971 | 4.8% |
| Other operating costs and expenses | 10,794 | 0.8% | 3,283 | 469 | 0.2% |
| Loss on disposal of property and equipment | 4,147 | 0.3% | 6,470 | 925 | 0.5% |
| Impairment losses of long-lived assets | 56,287 | 4.0% | 60,320 | 8,626 | 4.6% |
| Other income | 8,408 | 0.6% | 3,455 | 494 | 0.3% |
| Total costs and expenses, net | 1,740,239 | 125.1% | 1,633,549 | 233,595 | 124.1% |
| Operating loss from continuing operations | (349,081) | (25.1)% | (317,353) | (45,381) | (24.1)% |
| Interest income | 3,203 | 0.2% | 3,528 | 504 | 0.3% |
| Interest expenses | (22,448) | (1.6)% | (16,679) | (2,385) | (1.3)% |
| Foreign currency transaction gain/(loss) | 3,484 | 0.3% | (1,120) | (159) | (0.1)% |
| Loss of the debt extinguishment | (10,657) | (0.8)% | (73,078) | (10,736) | (5.7)% |
| Changes in fair value of deferred contingent consideration | (16,941) | (1.2)% | - | - | -% |
| Changes in fair value of convertible notes | (65,874) | (4.7)% | (30,627) | (4,094) | (2.2)% |
| Loss from continuing operations before income taxes | (458,314) | (32.9)% | (435,329) | (62,251) | (33.1)% |
| Income tax expenses | (2,115) | (0.2)% | (484) | (69) | 0.0% |
| Net loss from continuing operations | (460,429) | (33.1)% | (435,813) | (62,320) | (33.1)% |
| Discontinued operation: | | | | | |
| Net income from discontinued operations | 51,444 | 3.7% | - | - | - |
| Net loss | (408,985) | (29.4)% | (435,813) | (62,320) | (33.1)% |

Revenues

Our revenues decreased by 5.4% from RMB1,391.2 million in 2024 to RMB1,316.2 million (US\$188.2 million) in 2025, primarily as a result of closures of certain under-performing 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 RMB1,068.2 million (US\$152.7 million) in 2025, representing 81.2% of our total revenues, compared to RMB1,188.3 million in 2024, or 85.4% of our total revenues. The decrease of our revenues from company owned and operated stores was primarily driven by a decrease in the number of company owned and operated stores from 576 as of December 31, 2024 to 562 as of December 31, 2025, and a decrease in same-store sales for company owned and operated stores of 2.0% in 2025.

The decrease was also attributable to an 5.2% decrease in number of orders from 42.1 million in 2024 to 39.9 million in 2025, and a 5.3% decrease in average ticket size from RMB28.22 in 2024 to RMB26.73 in 2025.

- Other revenues.** Our other revenue increased by 22.3% from RMB202.9 million in 2024 to RMB248.0 million (US\$35.5 million) in 2025, primarily due to the expansion of our franchise business as the number of our franchised stores increased from 446 as of December 31, 2024 to 485 as of December 31, 2025.

Company-Operated Store Costs and Expenses

Our company owned and operated store costs and expenses were RMB1,065.1 million (US\$152.3 million) in 2025, compared to RMB1,190.9 million in 2024. The decrease was primarily due to (i) a decrease in costs and expenses related to food and packaging from RMB374.1 million in 2024 to RMB321.9 million in 2025, in line with our revenue growth and store network reduction; (ii) a decrease in rental expenses from RMB241.4 million in 2024 to RMB220.9 million in 2025, in line with closure of our stores; (iii) an increase in delivery costs from RMB119.2 million in 2024 to RMB130.6 million in 2025, in line with the significant increase in delivery orders; (iv) a decrease in payroll and employee benefits from RMB231.5 million in 2024 to RMB199.3 million in 2025, primarily due to decreased headcount of our store operations; (v) a decrease in other operating expenses from RMB95.0 million in 2024 to RMB84.3 million in 2025, as a result of the net decreased in the number of company owned and operated stores in 2025; and (vi) a decrease in store depreciation and amortization expenses from RMB129.6 million in 2024 to RMB107.9 million in 2025, in line with our store network closure. Our company owned and operated store costs and expenses as a percentage of our revenue generated from company owned and operated stores decreased from 100.2% in 2024 to 99.7% in 2025, primarily due to our continuous efforts to optimize our cost structure and drive operating leverage through revenue growth and store network expansion.

The following tables set forth the breakdowns of the line items included in our company-operated store costs and expenses.

Food and packaging:

| | Year Ended December 31, | | | |
|--|---|---------|--------------|-------------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| Food and packaging | 321,948 | 374,086 | (52,138) | (13.9)% |
| <i>As a percentage of company-owned store revenues</i> | 30.1% | 31.5% | N/A | (134)bps ⁽¹⁾ |

The food and packaging costs impacts for the year-over-year comparison, in thousands of RMB and basis points (as a percentage of current year company-owned store revenues), were driven by the following:

| | in thousands of RMB |
|---------------------|--------------------------------|
| Ingredient costs | (47,403) |
| Freight | (4,735) |
| Total Change | (52,138) |

Store rental expenses:

| | Year Ended December 31, | | | |
|--|--|-------------|---------------------|----------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| Store rental expenses | 220,885 | 241,425 | (20,540) | (8.5)% |
| <i>As a percentage of company-owned store revenues</i> | 20.7% | 20.3% | N/A | 36bps ⁽¹⁾ |

The store rental expenses impacts for the year-over-year comparison, in thousands of RMB and basis points (as a percentage of current year company-owned store revenues), were driven by the following:

| | in thousands of RMB |
|--------------------------------|--------------------------------|
| Store days ⁽²⁾ | (13,218) |
| Pricing impacts ⁽³⁾ | (7,322) |
| Total Change | (20,540) |

Payroll and employee benefits:

| | Year Ended December 31, | | | |
|--|--|-------------|---------------------|------------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| Payroll and employee benefits | 199,342 | 231,542 | (32,200) | (13.9)% |
| <i>As a percentage of company-owned store revenues</i> | 18.7% | 19.5% | N/A | (82)bps ⁽¹⁾ |

The payroll and employee benefits impacts for the year-over-year comparison, in thousands of RMB and basis points (as a percentage of current year company-owned store revenues), were driven by the following:

| | in thousands of RMB |
|---------------------------|--------------------------------|
| Full-time store employees | (25,721) |
| Part-time store employees | (6,479) |
| Total Change | (32,200) |

Delivery costs:

| | Year Ended December 31, | | | |
|--|--|-------------|---------------------|-----------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| Delivery costs | 130,649 | 119,171 | 11,478 | 9.6% |
| <i>As a percentage of company-owned store revenues</i> | 12.2% | 10.0% | N/A | 220bps ⁽¹⁾ |

The delivery costs impacts for the year-over-year comparison, in thousands of RMB and basis points (as a percentage of current year company-owned store revenues), were driven by the following:

| | in thousands of RMB |
|---------------------------|--------------------------------|
| Number of delivery orders | 6,608 |
| Pricing impacts | 4,870 |
| Total Change | 11,478 |

Other operating expenses:

| | Year Ended December 31, | | | |
|--|--|-------------|---------------------|------------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| Other operating expenses | 84,317 | 95,036 | (10,719) | (11.3)% |
| <i>As a percentage of company-owned store revenues</i> | 7.9% | 8.0% | N/A | (10)bps ⁽¹⁾ |

The other operating expenses impacts for the year-over-year comparison, in thousands of RMB and basis points (as a percentage of current year company-owned store revenues), were driven by the following:

| | in thousands of RMB |
|---------------------|--------------------------------|
| Utilities | (3,286) |
| Operating material | (1,159) |
| Maintenance costs | 487 |
| Others | (6,761) |
| Total Change | (10,719) |

Store depreciation and amortization:

| | Year Ended December 31, | | | |
|--|--|-------------|---------------------|------------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| Store depreciation and amortization | 107,930 | 129,614 | (21,684) | (16.7)% |
| <i>As a percentage of company-owned store revenues</i> | 10.1% | 10.9% | N/A | (80)bps ⁽¹⁾ |

The decrease in store depreciation and amortization was primarily driven by the net closure of 14 company owned and operated stores and less depreciation due to impairment recognized during 2025.

Notes

- 1 Basis points which are used to express differences in rates. One basis point is the equivalent of 1/100 of one percent.
- 2 Store days represent cumulative store operating days during the specific period.
- 3 Pricing impacts were mostly because of decreased rental rate as a result of market price changes and certain rent concessions that we received during 2025.

Costs of Other Revenues

Our costs of other revenues increased by 11.5% from RMB153.6 million in 2024 to RMB171.3 million (US\$24.5 million) in 2025, primarily due to an increase in the number of franchise stores.

Marketing Expenses

Our marketing expenses remained relatively stable year-over-year, decreasing slightly from RMB64.8 million in 2024 to RMB63.5 million (US\$9.1 million) in 2025. As a percentage of total revenues, marketing expenses also saw a marginal increase from 4.7% in 2024 to 4.8% in 2025.

General and Administrative Expenses

Our general and administrative expenses decreased by 2.8% from RMB210.3 million in 2024 to RMB204.3 million (US\$29.2 million) in 2025, primarily due to: (i) improved collection of accounts receivable resulting in a decrease in credit losses and (ii) decreased travelling and meeting cost as a result of enhanced operational efficiency in business travel and meetings. Our general and administrative expenses as a percentage of total revenues remained relatively stable at approximately 15.1% in 2024 and 15.5% in 2025.

| | Year Ended December 31, | | | |
|-------------------------------------|--|---------|--------------|----------------------|
| | 2025 | 2024 | 2025 vs 2024 | |
| | (in thousands of RMB, except for percentages and bps) | | | |
| General and administrative expenses | 204,341 | 210,323 | (5,982) | (2.8)% |
| As a percentage of total revenues | 15.5% | 15.1% | N/A | 40bps ⁽¹⁾ |

Our general and administrative expenses decreased in 2025, primarily due to:

- RMB4.9 million decrease in credit loss on account receivable;
- RMB3.3 million decrease in travelling and meeting cost;
- RMB2.6 million decrease of in payroll and employee benefits; offset by
- RMB6.3 million increase in professional and other service fee related to our financing programs.

Note

1 Basis points which are used to express differences in rates. One basis point is the equivalent of 1/100 of one percent.

Franchise and Royalty Expenses

Our franchise and royalty expenses increased by 8.6% from RMB57.8 million in 2024 to RMB62.7 million (US\$9.0 million) in 2025, primarily due to an increase in the number of franchise stores.

Other Operating Costs and Expenses

Our other operating costs and expenses were RMB3.3 million (US\$0.5 million) in 2025, compared to RMB10.8 million in 2024. The decrease was primarily due to higher store closure-related expenses in 2024 that were lower in 2025.

Loss on Disposal of Property and Equipment

We incurred loss on disposal of property and equipment of RMB6.5 million (US\$0.9 million) in 2025 primarily due to disposal of certain scraped kitchen equipment, store leasehold improvements and furniture.

Impairment Losses of Long-lived Assets

We incurred impairment losses of long-lived assets of RMB60.3 million (US\$8.6 million) in 2025 as a result of the closure of certain company owned and operated stores in 2025 and closure plan in 2026 or whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable.

Other Income

We received other income of RMB3.4 million in 2025, consisting primarily of unconditional government grants.

Interest Income

Our interest income increased slightly from RMB3.2 million in 2024 to RMB3.5 million (US\$0.5 million) in 2025, primarily due to improved efficiency in cash management.

Interest Expenses

Our interest expenses decreased from RMB22.4 million in 2024 to RMB16.7 million (US\$2.4 million) in 2025, which was primarily due to the accrual of interest expenses related to promissory notes in 2024, which did not recur in 2025.

Foreign Currency Transaction Loss

We recorded a net foreign exchange loss of RMB1.1 million (US\$0.2 million) in 2025, compared to a gain of RMB3.5 million in 2024, primarily due to the appreciation of the RMB against the US dollar during 2025, which resulted in exchange losses on our US dollar-denominated cash balances.

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

We recorded a fair value of convertible notes of RMB30.6 million (US\$4.1 million) in 2025, excluding the impact of instrument-specific credit risks.

Loss of the debt extinguishment

We recorded loss of the debt extinguishment of RMB73.1 million (US\$10.7 million) in 2025, as we settled the Convertible Senior Note issued in 2021 and amend the term of Convertible Junior Note.

Changes in fair value of deferred contingent consideration

We recognized no change in the fair value of deferred contingent consideration in 2025, as relevant transactions has not occurred during the year.

Net income from discontinued operations

We recorded no net income or loss from discontinued operations in 2025, as the disposal of the related operation was completed in 2024 with no further impact in 2025.

Income tax expenses

The statutory income tax rate for the Company's major operating entities is 25% for the years ended December 31, 2025 and 2024. The effective income tax rate of continuing operations for the years ended December 31, 2025 and 2024 was 0.11% and 0.46%, respectively. The effective income tax rate differs from the applicable statutory income tax rate, primarily due to the recognition of full valuation allowance for deferred income tax assets of loss-making entities.

Net Loss

As a result of the foregoing, our net loss was RMB409.0 million for the year ended December 31, 2024 and RMB435.8 million (US\$62.3 million) for the year ended December 31, 2025.

Comparison of the Years Ended December 31, 2023 and 2024

For a detailed description of the comparison of our operating results for the year ended December 31, 2024 to the year ended December 31, 2023, see "Item 5.A. Operating Results — Results of Operations — Comparison of the Years Ended December 31, 2023 and 2024" of our annual report on Form 20-F for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission on May 15, 2025.

Non-GAAP Financial Measures

The Company uses non-GAAP financial measures, namely adjusted company owned and operated store contribution, adjusted company owned and operated store contribution 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 in evaluating its operating results and for financial and operational decision-making purposes. The Company defines (i) adjusted company owned and operated store contribution as fully-burdened gross profit of company owned and operated stores excluding depreciation and amortization, and store pre-opening expenses; (ii) adjusted company owned and operated store contribution margin as adjusted company owned and operated store contribution as a percentage of revenues from company owned and operated stores; (iii) adjusted general and administrative expenses as general and administrative expenses excluding share-based compensation expenses (including equity settlement and cash settlement), professional fees related to warrant exchange and other financing programs, impairment losses of rental deposits, commission fee for Cantor shares, option granted by controlling shareholder to CB holder and offering costs for ESA transactions; (iv) adjusted corporate EBITDA as operating loss excluding depreciation and amortization, share-based compensation expenses, commission fee for Cantor shares, impairment losses of rental deposits, one-off expense of store closure, professional fees related to warrant exchange and other financing programs, option granted by controlling shareholder to CB holder, offering costs for ESA transactions, impairment losses of long-lived assets and loss on disposal of property and equipment; (v) adjusted corporate EBITDA margin as adjusted corporate EBITDA as a percentage of total revenues; (vi) adjusted net loss as net loss excluding share-based compensation expenses, professional fees relating to warrant exchange and other financing programs, commission fee for Cantor shares, option granted by controlling shareholder to CB holder, offering costs for ESA transactions, impairment losses of long-lived assets, impairment losses of rental deposits, one-off expense of store closure, loss on disposal of property and equipment, changes in fair value of deferred contingent consideration, changes in fair value of convertible bonds, changes in fair value of warrant liabilities, changes in fair value of ESA derivatives liabilities; (vii) adjusted net loss margin as adjusted net loss as a percentage of total revenues; (viii) adjusted basic and diluted net loss per ordinary share as adjusted net loss from continuing operations attributable to shareholders of the Company divided by weighted average number of basic and diluted ordinary share. The Company believes adjusted company owned and operated store contribution, adjusted company owned and operated store contribution 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 enhance investors' overall understanding of its financial performance and allow for greater visibility with respect to key metrics used by its management in its financial and operational decision-making.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. As these non-GAAP financial measures have limitations as analytical tools and may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies. The Company compensates for these limitations by reconciling the non-GAAP financial measures to the nearest U.S. GAAP performance measures, which should be considered when evaluating the Company's performance. For reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, please see the tables set out below. The Company encourages investors and others to review its financial information in its entirety and not rely on any single financial measure.

A. Adjusted company owned and operated store contribution and adjusted company owned and operated store contribution margin

| | For the year ended December 31, | | | | | | % of Revenues - company owned and operated stores |
|--|---------------------------------|--|-----------------|--|-----------------|----------------|---|
| | 2023 | | 2024 | | 2025 | | |
| | RMB | % of Revenues - company owned and operated stores | RMB | % of Revenues - company owned and operated stores | RMB | US\$ | |
| Revenues - company owned and operated stores | 1,389,641 | 100.0 | 1,188,293 | 100.0 | 1,068,169 | 152,747 | 100.0 |
| Food and packaging costs - company owned and operated stores | (486,359) | (35.0) | (374,086) | (31.5) | (321,948) | (46,038) | (30.1) |
| Store rental expenses - company owned and operated stores | (289,556) | (20.8) | (241,425) | (20.3) | (220,885) | (31,586) | (20.7) |
| Payroll and employee benefits - company owned and operated stores | (304,545) | (21.9) | (231,542) | (19.5) | (199,342) | (28,506) | (18.7) |
| Delivery costs - company owned and operated stores | (116,449) | (8.4) | (119,171) | (10.0) | (130,649) | (18,682) | (12.2) |
| Other operating expenses - company owned and operated stores | (118,634) | (8.5) | (95,036) | (8.0) | (84,317) | (12,057) | (7.9) |
| Store depreciation and amortization | (138,735) | (10.0) | (129,614) | (10.9) | (107,930) | (15,434) | (10.1) |
| Franchise and royalty expenses - company owned and operated stores | (44,730) | (3.3) | (39,420) | (3.3) | (35,748) | (5,112) | (3.4) |
| Fully-burdened gross loss - company owned and operated stores | (109,367) | (7.9) | (42,001) | (3.5) | (32,650) | (4,668) | (3.1) |
| Store depreciation and amortization ⁽¹⁾ | 138,735 | 10.0 | 129,614 | 10.9 | 107,930 | 15,434 | 10.1 |
| Adjusted company owned and operated store contribution | 29,368 | 2.1 | 87,613 | 7.4 | 75,280 | 10,766 | 7.0 |
| Adjusted company owned and operated store contribution margin | | 2.1 | | 7.4 | | | 7.0 |

B. Adjusted general and administrative expenses

| | For the year ended December 31, | | | | | | |
|---|---------------------------------|---------------------|------------------|---------------------|------------------|-----------------|---------------------|
| | 2023 | | 2024 | | 2025 | | |
| | (in thousands of RMB and US\$) | | | | | | |
| | RMB | % of Total Revenues | RMB | % of Total Revenues | RMB | US\$ | % of Total Revenues |
| General and administrative expenses | (325,259) | (20.9) | (210,323) | (15.2) | (204,341) | (29,222) | (15.5) |
| Adjusted for: | | | | | | | |
| Share-based compensation expenses | 68,078 | 4.4 | 519 | - | 2,827 | 404 | 0.2 |
| Professional fees related to financing programs | 28,519 | 1.80 | 10,464 | 0.8 | 16,239 | 2,322 | 1.2 |
| Impairment losses of rental deposits | 12,471 | 0.80 | 2,457 | 0.2 | 7,615 | 1,089 | 0.6 |
| Adjusted general and administrative expenses | (216,191) | (13.9) | (196,883) | (14.2) | (177,660) | (25,407) | (13.5) |

C. Adjusted corporate EBITDA and adjusted corporate EBITDA margin

| | For the year ended December 31, | | | | | | |
|---|---------------------------------|---------------------|-----------------|---------------------|-----------------|-----------------|---------------------|
| | 2023 | | 2024 | | 2025 | | |
| | (in thousands of RMB and US\$) | | | | | | |
| | RMB | % of Total Revenues | RMB | % of Total Revenues | RMB | US\$ | % of Total Revenues |
| Operating loss from continuing operations | (667,925) | (42.9) | (349,081) | (25.1) | (317,353) | (45,381) | (24.1) |
| Adjusted for: | | | | | | | |
| Depreciation and amortization ⁽²⁾ | 163,155 | 10.5 | 167,721 | 12.1 | 146,412 | 20,937 | 11.1 |
| Share-based compensation expenses | 68,078 | 4.4 | 519 | 0.0 | 2,829 | 405 | 0.2 |
| Impairment losses of rental deposits | 12,471 | 0.8 | 2,457 | 0.2 | 7,615 | 1,089 | 0.6 |
| One-off expense of store closure | 6,009 | 0.4 | 11,090 | 0.8 | - | - | 0.0 |
| Professional fees related to financing programs | 28,519 | 1.8 | 10,464 | 0.8 | 16,239 | 2,322 | 1.2 |
| Impairment losses of long-lived assets | 111,427 | 7.1 | 56,287 | 4.0 | 60,320 | 8,626 | 4.6 |
| Loss on disposal of property and equipment | 16,404 | 1.1 | 4,147 | 0.3 | 6,470 | 925 | 0.5 |
| Adjusted corporate EBITDA | (261,862) | (16.8) | (96,396) | (6.9) | (77,468) | (11,077) | (5.9) |
| Adjusted corporate EBITDA margin | | (16.8) | | (6.9) | | | (5.9) |

D. Adjusted net loss and adjusted net loss margin

| | For the year ended December 31, | | | | | | |
|--|---------------------------------|---------------------|------------------|---------------------|------------------|-----------------|---------------------|
| | 2023 | | 2024 | | 2025 | | |
| | (in thousands of RMB and US\$) | | | | | | |
| | RMB | % of Total Revenues | RMB | % of Total Revenues | RMB | US\$ | % of Total Revenues |
| Net loss from continuing operations | (839,730) | (53.8) | (460,429) | (33.1) | (435,813) | (62,320) | (33.1) |
| Adjusted for: | | | | | | | |
| Share-based compensation expenses | 68,078 | 4.4 | 519 | - | 2,829 | 405 | 0.2 |
| Professional fees related to financing programs | 28,519 | 1.8 | 10,464 | 0.8 | 16,239 | 2,322 | 1.2 |
| Impairment losses of long-lived assets | 111,427 | 7.1 | 56,287 | 4.0 | 60,320 | 8,626 | 4.6 |
| Impairment losses of rental deposits | 12,471 | 0.8 | 2,457 | 0.2 | 7,615 | 1,089 | 0.6 |
| One-off expense of store closure | 6,009 | 0.4 | 11,090 | 0.8 | - | - | - |
| Loss on disposal of property and equipment | 16,404 | 1.1 | 4,147 | 0.3 | 6,470 | 925 | 0.5 |
| Loss of the debt extinguishment | - | - | 10,657 | 0.8 | 73,078 | 10,450 | 5.6 |
| Changes in fair value of Deferred Contingent consideration | 26,106 | 1.7 | 16,941 | 1.2 | - | - | - |
| Changes in fair value of convertible notes | 58,281 | 3.7 | 65,874 | 4.7 | 30,627 | 4,380 | 2.3 |
| Changes in fair value of warrant liabilities | 83,966 | 5.4 | - | - | - | - | - |
| Changes in fair value of ESA derivative liabilities | (19,654) | (1.3) | - | - | - | - | - |
| Adjusted net loss | (448,123) | (28.7) | (281,993) | (20.3) | (238,635) | (34,123) | (18.1) |
| Adjusted net loss margin | | (28.7) | | (20.3) | | | (18.1) |

E. Adjusted basic and diluted net loss per Ordinary Share

| | For the year ended December 31, | | | | | | |
|---|---------------------------------|---|------------------|---|------------------|-----------------|--|
| | (in thousands of RMB and US\$) | | | | | | |
| | 2023 | | 2024 | | 2025 | | |
| | RMB | Unadjusted and Adjusted Basic and diluted loss per Ordinary Share RMB | RMB | Unadjusted and Adjusted Basic and diluted loss per Ordinary Share RMB | RMB | US\$ | Unadjusted and Adjusted Basic and diluted loss per Ordinary Share US\$ |
| Net loss attributable to shareholders of the Company | (876,250) | (28.41) | (412,081) | (12.70) | (434,490) | (62,131) | (1.91) |
| Add: | | | | | | | |
| Net income/(loss) from discontinuing operations attributable to shareholders of the Company | (33,196) | (1.08) | 51,444 | 1.59 | - | - | - |
| Net loss from continuing operations attributable to shareholders of the Company | (843,054) | (27.33) | (463,525) | (14.29) | (434,490) | (62,131) | (1.90) |
| Adjusted for: | | | | | | | |
| Share-based compensation expenses | 68,078 | 2.21 | 519 | 0.02 | 2,829 | 405 | 0.01 |
| Professional fees related to financing programs | 28,519 | 0.92 | 10,464 | 0.32 | 16,239 | 2,322 | 0.07 |
| Impairment losses of long-lived assets | 111,427 | 3.62 | 56,287 | 1.73 | 60,320 | 8,626 | 0.27 |
| Impairment losses of rental deposits | 12,471 | 0.40 | 2,457 | 0.08 | 7,615 | 1,089 | 0.03 |
| One-off expense of store closure | 6,009 | 0.19 | 11,090 | 0.34 | - | - | - |
| Loss on disposal of property and equipment | 16,404 | 0.53 | 4,147 | 0.13 | 6,470 | 925 | 0.03 |
| Loss of debt extinguishment | - | - | 10,657 | 0.33 | 73,078 | 10,450 | 0.32 |
| Changes in fair value of Deferred Contingent consideration | 26,106 | 0.85 | 16,941 | 0.52 | - | - | - |
| Changes in fair value of convertible notes | 58,281 | 1.89 | 65,874 | 2.03 | 30,627 | 4,380 | 0.13 |
| Changes in fair value of warrant liabilities | 83,966 | 2.73 | - | - | - | - | - |
| Changes in fair value of ESA derivative liabilities | (19,654) | (0.64) | - | - | - | - | - |
| Adjusted net loss attributable to shareholders of the Company | (451,447) | (14.63) | (285,089) | (8.79) | (237,312) | (33,934) | (1.04) |
| Weighted average shares outstanding used in calculating basic and diluted loss per share | 30,848,340 | | 32,444,772 | | 32,519,377 | 32,519,377 | |
| Adjusted basic and diluted net loss per Ordinary Share | (14.63) | | (8.79) | | (7.30) | (1.04) | |

Notes:

- (1) consists of company owned and operated store depreciation related to property, equipment and store renovations and amortization of the franchise right to use the Tim Hortons brand.
- (2) consists of store depreciation and amortization (1) and headquarter depreciation and amortization related to property, equipment and store renovations and amortization of the franchise right to use the Tim Hortons brand.

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 proceeds from bank borrowings and proceeds from equity, equity-linked financing and convertible notes, and cash derived from revenue generating activities. As of December 31, 2023, 2024 and 2025, our cash was RMB202.3 million, RMB184.2 million and RMB129.7 million (US\$18.5 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 have incurred loss since our inception. We incurred net losses of RMB435.8 million (US\$62.3 million), RMB409.0 million, and RMB872.9 million for the years ended December 31, 2025, 2024 and 2023, respectively. In addition, for the year ended December 31, 2025, we recorded net cash used in operating activities in the amount of RMB12.7 million (US\$1.8 million). We will require additional liquidity to continue our operations over the next 12 months.

We have concluded that substantial doubt exists about our ability to continue as a going concern. Historically, we had relied principally on proceeds from the issuance of ordinary shares, long-term convertible notes and bank borrowings to finance our operations and business expansion. We have evaluated plans to continue as a going concern which include, but are not limited to, (i) reducing discretionary capital and operating expenses (ii) obtaining additional facilities from banks and renewal of existing bank borrowings (iii) obtaining financial support from controlling shareholder and related parties (iv) exploring opportunities for further equity or equity-linked financing. Notwithstanding this, feasibility of some of these plans is contingent upon factors outside of our control and, as such, we concluded that substantial doubt about our ability to continue as a going concern has not been alleviated as of the reporting date. We may not be able to raise financing from third party sources on acceptable terms or at all. There remains substantial doubt about our ability to continue as a going concern for the next twelve months from the date the consolidated financial statements were issued. See “Item 3. Key Information-D. Risk Factors-Risks Related to THIL’s Business and Industry- We have concluded that substantial doubt exists about our ability to continue as a going concern, and will require additional capital to support our business, which might not be available in a timely manner or on commercially acceptable terms, if at all” and “Item 3. Key Information-D. Risk Factors-Risks Related to THIL’s Business and Industry- We had negative net cash flows from operations in the past and have not been profitable, which may continue in the future.”

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, including servicing our convertible notes and other dollar-denominated debt obligations, or to fund our foreign creditors, 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. 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.

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. On December 2, 2025, we repurchased from holders the entire outstanding principal amount of the Notes due 2026 by applying certain of the cash proceeds from the issuance of the Convertible Senior Secured Notes. 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.”

In addition, on June 28, 2024, we entered into a securities purchase agreement with THRI, P3AHIV and PTAHXXIIA pursuant to which we issued:

- US\$40.0 million of Series A Convertible Subordinated Notes due 2027 (the “Series A Convertible Notes”), consisting of US\$20.0 million to THRI and US\$10.0 million to each of P3AHIV and PTAHXXIIA. The Series A Convertible Notes are convertible into Series A-2 Convertible Preferred Shares (the “Series A-2 Convertible Preferred Shares”) (1) at the option of the holder at any time after the later of (i) January 16, 2025 and (ii) the date that is six months following its issue date (i.e. June 28, 2024), and (2) mandatorily upon maturity or on the occurrence of certain change of control events, *provided* that the conversion requirements have been met. The Series A Convertible Notes were issued (i) to THRI in exchange for cash and the settlement of overdue accounts payables and (ii) to the Cartesian Investors in exchange for outstanding promissory notes issued in March 2024 with an outstanding principal amount of US\$20 million (the “Cartesian Existing Notes”).

- 0.2 (1) Series A-2 Convertible Preferred Share to THRI for US\$99.99. Series A-2 Convertible Preferred Shares, which will also be issued upon conversion of the Series A Convertible Notes, are convertible into ordinary shares of the Company with par value of US\$0.0000469793497033866 per share (as adjusted for share splits and combinations) (i) at the option of the holder at any time and (ii) automatically upon the earlier of certain change of control events or June 28, 2028, *provided* that the conversion requirements have been met.
- 0.2 (1) Class A-1 Special Voting Share, in the name of THRI for the benefit of all holders of Series A Convertible Notes. The Class A-1 Special Voting Share is a non-economic share that has certain voting rights.
- Approximately US\$15.7 million of Series A-1 Convertible Subordinated Notes (the “Series A-1 Convertible Notes”) which are convertible into ordinary shares (1) at the option of the holder at any time after the later of (i) January 16, 2025 and (ii) the date that is six months following its issue date (i.e. June 28, 2024) and (2) mandatorily upon maturity or on the occurrence of certain change of control events, *provided* that the conversion requirements have been met. The Series A-1 Convertible Notes were issued to P3AHIV (i) in full satisfaction of all deferred contingent consideration due to P3AHIV under the share purchase agreement, dated as of March 30, 2023, among the Company, PLK APAC Pte. Ltd., Popeyes China and P3AHIV and (ii) in satisfaction of the interest due under the Cartesian Existing Notes.

Furthermore, subject to the satisfaction of certain operational and financial conditions set forth in the securities purchase agreement, we agreed to issue US\$5.0 million of Series A Convertible Notes no later than each of August 15, 2024 (the second tranche) and January 15, 2025 (the third tranche). On August 15, 2024, the Company issued the second tranche of Series A Convertible Notes in the principal amount of US\$5.0 million to THRI. The third tranche of Series A Convertible Notes was not issued as the necessary closing conditions were not satisfied.

The Series A Convertible Notes and the Series A-1 Convertible Notes are collectively referred to as the “Convertible Notes.”

Maturity; Interest Rates and Covenants. Concurrently with the issuance of the Convertible Senior Secured Notes due 2029 on December 2, 2025 (as discussed below), pursuant to the letter agreement dated December 2, 2025 among the Company, THRI and Cartesian Investors, the maturity date of Convertible Notes was extended to September 30, 2029. Each of the Convertible Notes bears interest at a per annum rate equal to the secured overnight financing rate as administered by the SOFR Administrator plus eight percent (8.00%) compounding continuously, which will be due and payable at the earlier of conversion or maturity, and shall be paid in kind in the form of additional Convertible Notes to their respective outstanding principal amount. The Convertible Notes also contain restrictions on payment of dividends or other distributions on, or repurchases or redemptions of, any shares of any class or series of equity securities which are ranked junior to the Convertible Notes and certain customary events of default.

Conversion Rates. Upon their issuances, each US\$100 principal amount of Series A Convertible Notes would convert into one (1) Series A-2 Preferred Share and each Series A-2 Preferred Share would convert into 24.202 ordinary shares; and each US\$100 of principal amount of Series A-1 Convertible Notes would convert directly into 24.202 ordinary shares. The aforesaid conversion rates for each Series A-2 Preferred Share and each US\$100 of principal amount of Series A-1 Convertible Notes are based on 110% of the average of the volume weighted average closing price of the ordinary shares for the 5 trading days immediately prior to the initial closing date. The conversion rates are subject to adjustment for share splits and consolidations. Subsequently, concurrently with the issuance of the Convertible Senior Secured Notes due 2029 (as discussed below) on December 2, 2025, pursuant to the letter agreement dated December 2, 2025 and the amended and restated certificate of designation of Series A-2 Convertible Preferred Shares and Class A-1 Special Voting Share, the conversion rates of these notes were re-struck to match the conversion price of the Convertible Senior Secured Notes, such that each US\$100 principal amount of Series A Convertible Notes converts into one (1) Series A-2 Preferred Share and each Series A-2 Preferred Share converts into 35.94 ordinary shares and each US\$100 of principal amount of Series A-1 Convertible Notes converts directly into 35.94 ordinary shares.

Voting Rights. Each holder of outstanding Series A-2 Preferred Shares will have the right to exercise those number of votes as it would be entitled to vote on an “as converted basis”. The one Class A-1 Special Voting Share is entitled to that number of votes equal to the aggregate number of votes which would be exercisable by the holders of outstanding Series A Convertible Notes upon the exchange of all outstanding Series A Convertible Notes (i.e., those that have not yet converted) into Series A-2 Preferred Shares. The holder of the Class A-1 Special Voting Share will vote such shares at the direction on the holders of the Series A Convertible Notes (based upon the number of votes represented by such Convertible Notes). The Class A-1 Special Voting Share and the Series A-2 Preferred Shares voting together as a single class, will have the right to elect two directors until the aggregate voting power of the Class A-1 Special Voting Share and the Series A-2 Preferred Shares represent less than 11.1% of the total voting power of us and one director until the aggregate voting power of the Class A-1 Special Voting Share and the Series A-2 Preferred Shares represent less than 3.0% of the total voting power of us. In addition, the Class A-1 Special Voting Share and the outstanding Series A-2 Preferred Shares will vote, as a single class, with the ordinary shares on all other matters other than the election of the ordinary share directors.

The foregoing summary of the investments in us does not purport to be complete and is qualified in its entirety by reference to the securities purchase agreement along with form of Series A convertible subordinate note, form of Series A-1 convertible subordinated note, the letter agreement dated December 2, 2025 and the amended and restated certificate of designation of Series A-2 Convertible Preferred Shares and Class A-1 Special Voting Share, copies of which are filed as Exhibits 2.7, 4.34, 4.35, 4.36 and 4.40 of this Annual Report, respectively.

On October 31, 2025, we entered into a convertible note purchase agreement with THRI, SONA Credit Fund and SONA Blue, pursuant to which we issued, on December 2, 2025, the Convertible Senior Secured Notes due September 2029 in an aggregate principal amount of approximately US\$89.9 million. The Company used substantial part of the proceeds from the issuance of the Convertible Senior Secured Notes for the repurchase of all outstanding amount due under our Note due 2026. The Convertible Senior Secured Notes bear an interest rate at compounded SOFR plus 8.0% for the relevant interest period, which the Company may choose at its sole discretion to pay interest in kind in the form of additional notes to their outstanding principal amount. The Convertible Senior Secured Notes may be convertible directly into newly issued Ordinary Shares of the Company at a price of US\$2.7822 per share, which is based on 110% of the volume-weighted average share price for the five trading days immediately prior to the signing of the transaction. The Convertible Senior Secured Notes are secured by a pledge of 100% of the shares of TH Hong Kong International Limited and an all-asset debenture of the Company. The issuance of Convertible Senior Secured Notes was completed on December 2, 2025. Copies of the convertible note purchase agreement dated October 31, 2025 and the indenture dated December 2, 2025 is filed as Exhibits 4.37 and 2.8 of this Annual Report, respectively.

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 1,000,000 ordinary shares to the ESA Investors at a price of \$50.00 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 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 \$25.00 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.

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 Reference Period Payments will be paid out of the \$53,166,667 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 \$5.70 per share, which was the closing price of the ordinary shares on April 26, 2024, the purchase price per share that Cantor would pay for these ordinary shares would be approximately \$5.55, and Cantor would profit on such shares if it were subsequently able to resell them for greater than \$5.55 per share.

On November 9, 2022, THIL issued 165,289 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.

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.

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, | | | |
|---|---------------------------------|----------|----------|---------|
| | 2023 | 2024 | 2025 | |
| | (in thousands of RMB and US\$) | | | |
| | RMB | RMB | RMB | US\$ |
| Net cash used in operating activities - continuing operations | (198,139) | (46,381) | (12,707) | (1,817) |
| Net cash provided by operating activities - discontinued operations | 2,009 | 6,714 | - | - |
| Net cash provided by/(used in) investing activities - continuing operations | 60,737 | (75,834) | (62,833) | (8,985) |
| Net cash provided by/(used in) investing activities - discontinued operations | (738) | 67,797 | - | - |
| Net cash provided by financing activities - continuing operations | 80,833 | 26,004 | 21,702 | 3,103 |
| Effect of foreign currency exchange rate changes on cash | 19,807 | 2,350 | (688) | (99) |
| Net decrease in cash | (35,491) | (19,350) | (54,526) | (7,798) |
| Cash at beginning of the period | 239,077 | 203,587 | 184,237 | 26,346 |
| Cash and cash equivalents and restricted cash, at end of year | 203,586 | 184,237 | 129,711 | 18,548 |
| Less: Cash and restricted cash of discontinued operations at end of year | (1,272) | - | - | - |
| Cash and Restricted cash at end of the period | 202,315 | 184,237 | 129,711 | 18,548 |

Operating Activities

Net cash used in operating activities for the year ended December 31, 2025 was RMB12.7 million (US\$1.8 million). The difference between our net loss of RMB435.8 million (US\$62.3 million) and net cash used in operating activities for the year ended December 31, 2025 was primarily due to (i) an adjustment of RMB340.9 million in non-cash items, which primarily consisted of (a) depreciation and amortization expense of RMB146.8 million, (b) changes in fair value of convertible notes of RMB30.6 million, (c) impairment losses of long-lived assets of RMB60.3 million, (d) loss of debt distinguishment of RMB73.1 million, (e) allowance for doubtful accounts of RMB3.7 million, (f) Transaction cost for issuance of convertible notes of RMB13.6 million, (g) other adjustment of RMB12.8 million due to loss on disposal of property and equipment and of intangible assets, provision for inventories write-down, share-based payment expenses, and unrealized foreign currency transaction loss (gain), and (ii) net changes in operating assets and liabilities of RMB82.2 million, which primarily consisted of (a) a decrease in accounts payable of RMB24.7 million due to timely payment of purchase order, (b) an increase in other current liabilities of RMB25.2 million due to increased payable for other operating expenditures, and (c) increase of RMB84.6 million in amounts due to related parties due to increase of payable to related parties.

Net cash used in operating activities for the year ended December 31, 2024 was RMB39.7 million. The difference between our net loss of RMB460.4 million and net cash used in operating activities for the year ended December 31, 2024 was primarily due to (i) the difference between net loss and net cash inflows in operating activities from discontinued operations of RMB44.7 million; (ii) an adjustment of RMB340.8 million in non-cash items, which primarily consisted of (a) depreciation and amortization expense of RMB169.7 million, (b) changes in fair value of convertible notes of RMB65.9 million, (c) impairment losses of long-lived assets of RMB56.3 million, (d) changes in fair value of Deferred Contingent consideration of RMB16.9 million, (e) loss of debt distinguishment of RMB10.7 million, (f) allowance for doubtful accounts of RMB8.7 million, (g) accrued interests of promissory notes of RMB5.3 million, (h) other adjustment of RMB7.5 million due to loss on disposal of property and equipment and of intangible assets, provision for inventories write-down, share-based payment expenses, and unrealized foreign currency transaction loss (gain), (i) Transaction cost for issuance of convertible notes of RMB3.8 million and (iii) net changes in operating assets and liabilities of RMB69.4 million, which primarily consisted of (a) an increase in accounts payable of RMB4.1 million due to the extension of payment terms, (b) a decrease in other current liabilities of RMB76.7 million due to decreased accrued payroll and employee-related costs, payable for other operating expenditures, and (c) increase of RMB130.4 million in amounts due to related parties due to settlement of payables to related parties.

Net cash used in operating activities for the year ended December 31, 2023 was RMB196.1 million. The difference between our net loss of RMB872.9 million and net cash used in operating activities for the year ended December 31, 2023 was primarily due to (i) the difference between net loss and net cash inflows in operating activities from discontinued operations of RMB35.2 million; (ii) an adjustment of RMB526.7 million in non-cash items, which primarily consisted of (a) depreciation and amortization expense of RMB163.1 million, (b) impairment losses of long-lived assets of RMB111.4 million, (c) changes in fair value of warrant liabilities of RMB84.0 million, (d) share-based payment expenses of RMB64.5 million, (e) changes in fair value of convertible notes of RMB58.3 million, (f) changes in fair value of Deferred Contingent consideration of RMB26.1 million (g) loss on disposal of property and equipment of RMB16.4 million, (h) other adjustment of RMB0.5 million due to provision for inventories write-down, unrealized foreign currency transaction loss, allowance for doubtful accounts and net off the changes in fair value of ESA derivative liabilities ; and (iii) net changes in operating assets and liabilities of RMB150.0 million, which primarily consisted of (a) an increase in accounts payable of RMB109.1 million due to the extension of payment terms, (b) an increase in other current liabilities of RMB1.1 million due to increased accrued payroll and employee-related costs, payable for other operating expenditures, and (c) other increase of RMB9.6 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.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2025 was RMB62.8 million (US\$9.0 million), which was mainly attributable to purchase of property and equipment and intangible assets of RMB65.6 million.

Net cash used in investing activities for the year ended December 31, 2024 was RMB8.0 million, compared to net cash provided in investing activities of RMB60.0 million for the year ended December 31, 2023, which was primarily because the Company retrieved short-term investment due to ESA program back in 2023 of RMB369.3 million, and was partially offset by the net cash effect of reduce of purchase property and equipment and intangible assets RMB 188.8 million due to slowing down the expansion of company-owned store and disposal of Popeyes in 2024 of RMB 67.8 million and was partially offset by the net cash effect of reduce of purchase property and equipment and intangible assets RMB 188.8 million due to slowing down the expansion of company-owned store and disposal of Popeyes in 2024 of RMB 67.8 million.

Net cash provided in investing activities for the year ended December 31, 2023 was RMB60.0 million, compared to net cash used in investing activities of RMB705.2 million for the year ended December 31, 2022, which primarily resulted from the Company purchased short-term investment due to ESA program in 2022 of RMB370.2 million and retrieved the short-term investment back in 2023 of RMB369.3 million.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2025 was RMB21.7 million (US\$3.1 million), primarily attributable to proceeds from convertible notes of RMB20.4 million and net proceeds from bank borrowings of RMB12.6 million, while offset by payment of issuance costs of convertible notes of RMB11.4 million.

Net cash provided by financing activities for the year ended December 31, 2024 was RMB26.0 million, primarily attributable to proceeds from issuance of promissory notes of RMB142.5 million, proceeds from convertible notes of RMB41.1 million and proceed from exercise of employee share option of RMB8.4 million, while offset by net repayment of bank borrowings of RMB162.2 million.

Net cash provided by financing activities for the year ended December 31, 2023 was RMB80.8 million, primarily attributable to proceeds from employee share option program of RMB1.4 million, net borrowing from bank of RMB126.9 million and proceeds from Popeyes acquisition of RMB206.7 million, while offset by payment to Shaolin for ESA transaction of RMB249.5 million and payment for warrant exchange offering cost RMB4.7 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 3 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, 2025 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.

Convertible notes, at fair value

On December 10, 2021, the Company issued convertible notes due December 10, 2026 in an aggregate principal amount of US\$50 million (“Convertible Senior Notes”). On December 2, 2025, we repurchased from holders the entire outstanding principal amount of the Convertible Senior Notes.

On June 28, 2024 and August 15, 2024, the Company issued convertible notes due September 30, 2029 in an aggregate principal amount of US\$60,741,340 (“Convertible Junior Notes”).

On December 2, 2025, the Company issued Convertible Senior Secured Notes due September 30, 2029 in an aggregate principal amount of approximately US\$89.9 million (“Convertible Senior Secured Notes”).

The details of the above convertible notes are set out in Note 15 to the Company’s consolidated financial statements.

The above convertible notes were measured at fair value using the Binomial Option Pricing Model with the following assumptions: (i) The expected volatility was estimated based on the historical volatility of the Company or comparable peer public companies with a time horizon close to the expected term of convertible notes; (ii) 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 convertible notes in effect at the valuation date; (iii) 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; (iv) The fair value of the underlying ordinary share was obtained from the listed trading price of the Company; and (v) The bond yield was based on the market yield of comparable bonds with similar credit rating.

For more details, see Note 23 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.

| Name | Age | Position |
|-----------------------------|-----|--------------------------------------|
| Peter Yu | 64 | Chairman and Director |
| Yongchen Lu | 48 | Chief Executive Officer and Director |
| Dong Li | 49 | Chief Financial Officer |
| Gregory Armstrong | 48 | Director |
| Paul Hong | 56 | Director |
| Thiago Santelmo | 42 | Director |
| Eric Haibing Wu | 53 | Director |
| Rafael Odorizzi De Oliveira | 41 | Director |
| Derek Cheung | 47 | Director |

* Ms. Meizi Zhu ceased to be our director since August 7, 2025.

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. Mr. Yu currently serves on the boards of directors of several companies. 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 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), Yuanbao Inc., (NASDAQ: YB), Helens International Holdings Company Limited (HKEx: 09869 and SGX: HLS), 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.

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.

Thiago Santelmo. Mr. Santelmo has served as a member of our board since September 2024. Mr. Santelmo has served as President, International of Restaurant Brands International (RBI) since March 2024. He previously served as President, EMEA of RBI starting in February 2022 and prior to that was President of the Latin America and Caribbean region of RBI. Mr. Santelmo has been with RBI since 2013, holding strategic roles including Head of Finance & Business development, EMEA. Prior to joining RBI, he worked at McKinsey & Company and earned an MBA from Harvard 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 HongShan. Prior to joining HongShan 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 has served as a member of our Board since we have been a public company. He was previously the Chief Executive Officer and a director of Silver Crest Acquisition Corporation and has over 20 years of experience in private equity and investment banking. Currently, he is a Partner 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, managing a global portfolio of private equity, public equity and venture capital investments. Prior to that, from 2008 to 2013, Mr. Cheung was an executive director at D. E. Shaw & Co. Mr. Cheung started his career at Credit Suisse First Boston in New York, before joining J.P. Morgan in Hong Kong. Mr. Cheung received Bachelor of Science degrees in mathematics and economics from the Massachusetts Institute of Technology.

Other than Yongchen Lu, Dong Li, 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, 2025, we paid an aggregate of RMB3.98 million (US\$0.56 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 2,897,230 (proportionally adjusted to reflect any share dividends, share splits, or similar transactions), of which 1,648,597 underlie outstanding options. The maximum aggregate number of ordinary shares that may be issued under the Scheme will be reduced by 425,719 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 2,897,230 divided by 50,000,000. The Company granted 2,614,947 units (equivalent to 151,510 ordinary shares), 174,318 units (equivalent to 10,100 ordinary shares) and 1,812,220 units (equivalent to 105,000 ordinary shares) to the employees or directors during the years ended December 31, 2023, 2024 and 2025, respectively. As of December 31, 2025, 17,756,231 units (equivalent to 1,028,796 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, 2025, the number of units of options granted and outstanding under the Scheme.

| Name | Units Granted | Ordinary Shares Underlying Options | Exercise Price (US\$/Unit) | Date of Grant | Date of Expiration |
|--------------------------------------|---------------|------------------------------------|----------------------------|---------------|--------------------|
| Yongchen Lu | 5,000,000 | 289,700 | - | 5/1/2018 | 5/1/2028 |
| | 5,000,000 | 289,700 | 0.2 | 5/1/2018 | 5/1/2028 |
| | 2,500,000 | 144,850 | 0.6 | 4/1/2021 | 4/1/2031 |
| | 4,403,673 | 255,149 | - | 6/5/2023 | 6/5/2033 |
| Dong Li | 2,000,000 | 115,880 | 0.6 | 9/6/2021 | 9/6/2031 |
| | 7,255 | 420 | 1.2 | 2/1/2022 | 2/1/2032 |
| | 690,369 | 40,000 | - | 6/5/2023 | 6/5/2033 |
| All directors and executive officers | 19,601,297 | 1,135,699 | | | |

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. 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, Thiago Santelmo and Derek Cheung, with Gregory Armstrong as the chair. Gregory Armstrong, Thiago Santelmo 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, Thiago Santelmo and Derek Cheung, with Gregory Armstrong as the chair. Gregory Armstrong, Thiago Santelmo 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, directors and officers owe the following fiduciary duties:

- duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not improperly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of shareholders;
- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience which that director has.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the memorandum and articles of association or alternatively by shareholder approval at general meetings.

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

- convening shareholders' annual general 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 hold any office, including the offices set forth in the THIL Articles, as it deems appropriate.

D Employees

As of December 31, 2025, we had 1,544 full-time employees and 36 part-time employees. The following table sets forth the number of our full-time employees categorized by function.

| | As of December 31, 2025 | |
|-------------------------------|------------------------------------|---------------------------|
| | Number | Percentage (%) |
| Operations | 1,362 | 88.2 |
| Sales and marketing | 26 | 1.7 |
| Research and innovation | 9 | 0.6 |
| Store development | 48 | 3.1 |
| Management and administration | 99 | 6.4 |
| Total | 1,544 | 100.0 |

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.

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 33,243,582 ordinary shares outstanding as of the date of this Annual Report.

| Name of Beneficial Owner | Number | Percentage (%) |
|--|---------------------------|----------------|
| 5% or Greater Shareholders: | | |
| Pangaea Two Acquisition Holdings XXIIA Limited | 11,440,400 ⁽¹⁾ | 34.4 |
| Tencent Mobility Limited | 3,975,802 ⁽²⁾ | 12.0 |
| HSG Growth VI Holdco D, Ltd. | 2,900,606 ⁽³⁾ | 8.7 |
| Pangaea Three Acquisition Holdings IV, Limited | 2,063,983 ⁽⁴⁾ | 6.2 |
| Directors and Executive Officers†: | | |
| Peter Yu | 16,153,040 ⁽⁵⁾ | 48.6 |
| Yongchen Lu | *(6) | * |
| Dong Li | *(7) | * |
| Gregory Armstrong | - | - |
| Paul Hong | - | - |
| Thiago Santelmo | - | - |
| Meizi Zhu ⁽⁹⁾ | - | - |
| Eric Haibing Wu | - | - |
| Rafael Odorizzi De Oliveira | - | - |
| Derek Cheung | *(8) | * |
| All executive officers and directors as a group (nine persons) | 16,597,388 | 49.8 |

† 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 11,440,400 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 3,975,802 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, as reported on Schedule 13G/A filed by Tencent Mobility Limited on February 1, 2024. Tencent Holdings Limited is a company listed on the Hong Kong Stock Exchange. The principal business office of Tencent Mobility Limited and Tencent Holdings Limited is at 29/F, Three Pacific Place No. 1, Queen's Road East, Wanchai, Hong Kong.
- (3) Represents 2,900,606 ordinary shares held by HSG Growth VI Holdco D, Ltd., an exempted company incorporated under the laws of the Cayman Islands, as reported on Schedule 13G/A filed by HSG Growth VI Holdco D, Ltd on February 1, 2024. The sole shareholder of HSG Growth VI Holdco D, Ltd. is HongShan Capital Growth Fund VI, LP, whose general partner is HSG Growth VI Management, L.P., whose general partner is HSG Holding Limited. HSG Holding Limited is wholly owned by SNP China Enterprises Limited, which is wholly owned by Mr. Neil Nanpeng Shen. The principal business office of HSG Growth VI Holdco D, Ltd. is at Suite 3613, 36/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.

- (4) Represents 2,063,983 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 Pangaea Three GP, LP. Cartesian is the sole and managing member of 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 (i) 11,440,400 ordinary shares held by XXIIA (not including the Option Shares acquirable by Sona), (ii) 2,063,983 ordinary shares held by Holdings IV, (iii) 1,238,203 ordinary shares held by Pangaea Two Acquisition Holdings XXIII, Ltd., (iv) 968,077 ordinary shares held by Pangaea Two, LP, (v) 420,311 ordinary shares held by Pangaea Two Parallel, LP, (vi) 10,744 ordinary shares held by Pangaea Two Management, LP, (vii) 4,177 ordinary shares held by Pangaea Two GP, LP, and (viii) 7,145 ordinary shares held by Pangaea Two Parallel 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, and Pangaea Two Parallel LP. The business address of the aforementioned entities is 505 Fifth Avenue, 15th Floor, New York, NY 10017, USA.
- (6) Represents ordinary shares held by L&L Tomorrow Holdings Limited, a British Virgin Islands company wholly owned by Ms Zhiqin Li, the spouse of 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.
- (7) Represents ordinary shares held directly by Dong Li.
- (8) Represents ordinary shares held directly by Derek Cheung.
- (9) Ms. Meizi Zhu ceased to be our director since August 7, 2025.

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 2023, 2024 and 2025, THIL paid THRI continuing franchise fees in the amount of RMB51.7 million, RMB47.5 million, and RMB50.0 million (US\$7.1 million), respectively, and upfront fees in the amount of RMB27.3 million, RMB10.1 million, and RMB7.8 million (US\$1.1 million), respectively. The outstanding fees due to THRI were RMB24.6 million and RMB8.7 million (US\$1.2 million) as of December 31, 2024 and 2025, 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 1,525 Tim Hortons restaurants by December 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 stores 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.

On June 28, 2024, we and our subsidiaries in Hong Kong and China entered into a Second Amendment to the A&R MDA, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement with THRI to amend the Development Schedule and certain requirements relating to sub-franchising and the development of Tims Express and Tims Go, a copy of which is filed as Exhibit 4.33 of this Annual Report and is incorporated herein by reference.

On October 31, 2025, we and our subsidiaries in Hong Kong and China entered into a Third Amendment to the A&R MDA, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement with THRI to amend certain provisions, including those relating to the administration of the advertising fund and the development plans, a copy of which is filed as Exhibit 4.34 of this Annual Report and is incorporated herein by reference.

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 (ii) 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.

On June 28, 2024, we and our subsidiaries in Hong Kong and China entered into a Second Amendment to the A&R MDA, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement with THRI to amend the Development Schedule and certain requirements relating to sub-franchising and the development of Tims Express and Tims Go, a copy of which is filed as Exhibit 4.33 of this Annual Report and is incorporated herein by reference.

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Other Related Party Transactions

In 2023, 2024 and 2025, THIL purchased coffee beans from TDL Group Corp. (“TDL”), an affiliate of THRI, in the amount of RMB63.4 million, RMB44.5 million and RMB34.6 million (US\$4.9 million), respectively. As of December 31, 2024 and 2025, RMB21.0 million and RMB5.4 million (US\$0.8 million) due to TDL 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 2023, 2024 and 2025, THIL incurred service fees due to Pangaea Data Tech (Shanghai) Co., Ltd. of RMB8.1 million, RMB5.9 million, and RMB4.8 million (US\$0.7 million), respectively. As of December 31, 2024 and 2025, RMB1.5 million and RMB3.2 million (US\$0.4 million) due to Pangaea Data Tech (Shanghai) Co., Ltd. was outstanding.

In 2025, the Company paid reimbursement on behalf of Bobipai (Shanghai) for employee cost and raw material procurement in the amount of nil. As of December 31, 2024 and 2025, RMB1.0 million and nil due to Cartesian was outstanding, respectively.

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 200,000 ordinary shares for \$50.00 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 40,000 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 240,000 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 Pangaea Three 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 2,063,983 ordinary shares to Holdings IV and 229,332 ordinary shares to PLK APAC Pte. Ltd. As part of the consideration, the Company is obligated to pay Deferred Contingent Consideration. For more details on the Share Purchase Agreement, see “Item 5. Operating and Financial Review and Prospects-A. Operating Results -Share Purchase Agreement and Popeyes MDA” in this Annual Report.

On June 28, 2024, the Company disposed Popeyes China operation to PLK APAC Pte. Ltd. The remaining consideration receivables related to the transaction was RMB4.8 million (US\$0.7 million) as of December 31, 2024. As of December 31, 2025, nil due from RBI related to Popeyes China transaction was outstanding. In addition, as part of Popeyes disposal, the Company is obligated to provide one-off transitioning management support and IT support to Bobipai (Shanghai), in the amount of RMB1.9 million (US\$0.3 million) for 2025. As of December 31, 2025, RMB0.2 million (US\$0.03 million) due from Bobipai (Shanghai) related to management support services was outstanding.

The Company paid reimbursement on behalf of Bobipai (Shanghai) for employee cost and raw material procurement in the amount of RMB nil, RMB185,097 (US\$25,358), and nil for the years ended December 31, 2025, 2024 and 2023, respectively. As of December 31, 2024 and 2025, RMB1.5 million and RMB3.2 million (US\$0.5 million) due to Pangaea Data Tech (Shanghai) Co., Ltd. was outstanding.

On March 7, 2024 and March 20, 2024, the Company executed junior promissory notes (as borrower) with Pangaea Three Acquisition Holdings IV, Limited, a Cayman Islands limited liability company and the existing shareholder and a related party of the Company (as lender), with principal of US\$5 million and US\$15 million (equivalent to RMB142,536,000 in total), respectively. The junior promissory notes were due on August 31, 2024. The junior promissory notes carried an annual interest rate equal to the latest one-month term Secured Overnight Financing Rate reference rate as published by the CME Group Benchmark Administration plus 8.0%. On June 28, 2025, the principal and unpaid interest of promissory notes were fully settled in amount of US\$20,741,340.

During the years ended December 31, 2025 and 2024, the Company issued several convertible notes to THRI, Cartesian and its subsidiaries, including the Convertible Senior Secured Notes and the Series A Convertible Notes. For more details, see “Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources - Convertible Notes” in this Annual Report.

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 have been listed on Nasdaq since September 29, 2022 under the symbol “THCH.”

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.

Series A-1 Special Voting Share

Voting Rights

The holder of the Class A-1 Special Voting Share is entitled to that number of votes equal to the aggregate number of votes which would be exercisable by the holders of outstanding Series A Convertible Notes upon the exchange of all outstanding Series A Convertible Notes (i.e., those that have not yet converted) into Series A-2 Preferred Shares.

Dividend Rights, Liquidation Rights

The holder of the Class A-1 Special Voting Share shall not be entitled to any dividends nor to participate in any surplus assets of the Company.

Conversion Rights

The holder of the Class A-1 Special Voting Share shall have no conversion rights.

Series A-2 Convertible Preferred Share

Voting Rights

Each holder of outstanding Series A-2 Preferred Shares will have the right to exercise those number of votes as it would be entitled to vote on an “as converted basis”.

Dividend Rights, Liquidation Rights

Each holder of Series A-2 Convertible Preferred Shares shall be entitled to the same dividend and liquidation rights as the holders of ordinary shares on an as converted basis.

Conversion Rights

Each holder of Series A-2 Convertible Preferred Shares shall have the right, upon the delivery of a written notice to the Company, to convert any Series A-2 Convertible Preferred Share held by it into that number of fully paid and nonassessable Ordinary Shares based on the Ordinary Share Conversion Rate equal 24.202. The conversion rate is subject to adjustment for share splits and consolidations.

Each Series A-2 Convertible Preferred Share outstanding shall be automatically converted into that number of fully paid and nonassessable Ordinary Shares based on the Ordinary Share Conversion Rate at the time in effect upon the occurrence of the event of:

- i) fourth anniversary of the first issuance of Series A-2 Convertible Preferred Shares;
- ii) upon consummation of any transaction whereby any person or group of persons, other than a group consisting solely of Cartesian or Affiliates of Cartesian, acquires in exchange for cash more than 50% of the Total Voting Power;
- iii) immediately upon a holder of Series A-2 Convertible Preferred Shares ceasing to be an Investor.

Warrants

As previously disclosed, we completed an exchange offer relating to our outstanding warrants (the “Offer”) on June 14, 2023. Each warrant that was outstanding upon the closing of the Offer was exchanged for 0.216 ordinary shares of the Company per warrant on June 27, 2023 (the “Post-Offer Exchange”). Pursuant to the Offer and the Post-Offer Exchange, we issued an aggregate of 1,083,949 ordinary shares in exchange for all of our outstanding warrants, increasing the number of ordinary shares outstanding from 32,069,622 to 33,153,571. As a result of the completion of the Offer and the Post-Offer Exchange, no warrants remain outstanding. The Public Warrants have been delisted upon completion of the Post-Offer Exchange. Our ordinary shares will continue to be listed and trade on the Nasdaq under the symbol “THCH.” The purpose of the Offer was to simplify our capital structure and reduce the potential dilutive impact of the warrants.

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, 890,000 THIL ordinary shares for \$50 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 40,000 ordinary shares and 400,000 warrants upon the closing of the PIPE Investment for no consideration. Pursuant 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 1,010,000 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 \$57.50 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 to occur 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, 40,000 Option Shares from XXIIB at a purchase price of \$57.50 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 \$57.50 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 \$0.05 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 \$90.00 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.”

June 2024 Transactions

On June 28, 2024, THIL entered into a series of transactions with entities controlled by Cartesian Capital Group LLC (“Cartesian”) and entities controlled by Restaurant Brands International Inc. (“RBI”) and together with Cartesian, the “Investors”). Specifically, the Company entered into (i) a Share Purchase Agreement for the sale of PLKC International Limited (“Popeyes China”) to PLK APAC Pte. Ltd., a subsidiary of RBI, (ii) a Securities Purchase Agreement for the issuance of Convertible Notes to each of the Investors, and (iii) an amendment of the Amended and Restated Master Development Agreement, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement (collectively, the “June 2024 Transactions”).

Sale of Popeyes China

On June 28, 2024, the Company sold 100% of its equity interest in Popeyes China pursuant to a share purchase agreement dated June 28, 2024 (the “Share Purchase Agreement”) with PLK APAC Pte. Ltd., (the “Purchaser”).

The Purchaser is the franchisor of the Popeyes® brand for the Asia-Pacific region and a subsidiary of RBI.

The purchase price reflected an enterprise value of Popeyes China at US\$15 million on a cash free, debt free basis, as adjusted by certain capital expenditures and liabilities.

The Share Purchase Agreement contains customary representations, warranties, covenants and undertakings as well as an indemnity by the Company in favor of the Purchaser for certain specified matters. Concurrently with the Sale of Popeyes China, the Company also entered a transition services agreement to provide the Purchaser and Popeyes China (and its subsidiaries) certain services for a period of up to 180 days following the closing date (which period may be extended by a further period of 180 days at the election of Purchaser).

Investments in the Company

On June 28, 2024, or the Initial Closing Date, the Company also entered into a securities purchase agreement (the “Securities Purchase Agreement”) with Tim Hortons Restaurants International GmbH (the “THRI”), Pangaea Three Acquisition Holdings IV Limited (“P3AHIV”) and Pangaea Two Acquisition Holdings XXIIA Limited (“PTAHXXIIA” and together with P3AHIV, the “Cartesian Investors”) pursuant to which the Company issued on the Initial Closing Date:

- US\$40.0 million of Series A Convertible Subordinated Notes due 2027 (the “Series A Convertible Notes”), consisting of US\$20.0 million to THRI and US\$10.0 million to each of P3AHIV and PTAHXXIIA. The Series A Convertible Notes are convertible into Series A-2 Convertible Preferred Shares (the “Series A-2 Convertible Preferred Shares”) (1) at the option of the holder at any time after the later of (i) January 16, 2025 and (ii) the date that is six months following its issue date (i.e. June 28, 2024), and (2) mandatorily upon maturity or on the occurrence of certain change of control events, *provided* that the conversion requirements have been met. The Series A Convertible Notes were issued (i) to THRI in exchange for cash and the settlement of overdue accounts payables and (ii) to the Cartesian Investors in exchange for outstanding promissory notes issued in March 2024 with an outstanding principal amount of US\$20 million (the “Cartesian Existing Notes”).
- One (1) Series A-2 Convertible Preferred Share to THRI for US\$99.99. Series A-2 Convertible Preferred Shares, which will also be issued upon conversion of the Series A Convertible Notes, are convertible into ordinary shares of the Company with par value of US\$0.0000469793497033866 per share (as adjusted for share splits and combinations) (the “Ordinary Shares”) (i) at the option of the holder at any time and (ii) automatically upon the earlier of certain change of control events or June 28, 2028, *provided* that the conversion requirements have been met.
- One (1) Class A-1 Special Voting Share, in the name of THRI for the benefit of all holders of Series A Convertible Notes. The Class A-1 Special Voting Share is a non-economic share that has those voting rights set forth below.
- Approximately US\$15.7 million of Series A-1 Convertible Subordinated Notes (the “Series A-1 Convertible Notes”) which are convertible into Ordinary Shares (1) at the option of the holder at any time after the later of (i) January 16, 2025 and (ii) the date that is six months following its issue date (i.e. June 28, 2024) and (2) mandatorily upon maturity or on the occurrence of certain change of control events, *provided* that the conversion requirements have been met. The Series A-1 Convertible Notes were issued to P3AHIV (i) in full satisfaction of all deferred contingent consideration due to P3AHIV under the Share Purchase Agreement (the “Original SPA”), dated as of March 30, 2023, among the Company, the Purchaser, Popeyes China and P3AHIV and (ii) in satisfaction of the interest due under the Cartesian Existing Notes.

In addition, subject to the satisfaction of certain operational and financial conditions set forth in the Securities Purchase Agreement, the Company agreed to issue US\$5.0 million of Series A Convertible Notes no later than each of August 15, 2024 (the second tranche) and January 15, 2025 (the third tranche). On August 15, 2024, the Company issued the second tranche of Series A Convertible Notes in the principal amount of US\$5.0 million to THRI. The third tranche of Series A Convertible Notes was not issued as the necessary closing conditions were not satisfied.

The Series A Convertible Notes and the Series A-1 Convertible Notes are collectively referred to as the “Convertible Notes.”

Maturity; Interest Rates and Covenants. Concurrently with the issuance of the Convertible Senior Secured Notes due 2029 on December 2, 2025 (as discussed below), pursuant to the letter agreement dated December 2, 2025 among the Company, THRI and Cartesian Investors, the maturity date of Convertible Notes was extended to September 30, 2029. Each of the Convertible Notes bears interest at a per annum rate equal to the secured overnight financing rate as administered by the SOFR Administrator plus eight percent (8.00%) compounding continuously, which will be due and payable at the earlier of conversion or maturity, and shall be paid in kind in the form of additional Convertible Notes to their respective outstanding principal amount. The Convertible Notes also contain restrictions on payment of dividends or other distributions on, or repurchases or redemptions of, any shares of any class or series of equity securities which are ranked junior to the Convertible Notes and certain customary events of default.

Conversion Rates. Upon their issuances, each US\$100 principal amount of Series A Convertible Notes would convert into one (1) Series A-2 Preferred Share and each Series A-2 Preferred Share would convert into 121.01 Ordinary Shares; and each US\$100 of principal amount of Series A-1 Convertible Notes would convert directly into 121.01 Ordinary Shares. The aforesaid conversion rates for each Series A-2 Preferred Share and each US\$100 of principal amount of Series A-1 Convertible Notes are based on 110% of the average of the volume weighted average closing price of the Ordinary Shares for the 5 trading days immediately prior to the Initial Closing Date. The conversion rates are subject to adjustment for share splits and consolidations. Subsequently, concurrently with the issuance of the Convertible Senior Secured Notes due 2029 (as discussed in “December 2025 Financing” below) on December 2, 2025, pursuant to the letter agreement dated December 2, 2025 and the amended and restated certificate of designation of Series A-2 Convertible Preferred Shares and Class A-1 Special Voting Share, the conversion rates of these notes were re-struck to match the conversion price of the Convertible Senior Secured Notes, such that each US\$100 principal amount of Series A Convertible Notes converts into one (1) Series A-2 Preferred Share and each Series A-2 Preferred Share converts into 35.94 ordinary shares and each US\$100 of principal amount of Series A-1 Convertible Notes converts directly into 35.94 ordinary shares.

Voting Rights. Each holder of outstanding Series A-2 Preferred Shares will have the right to exercise those number of votes as it would be entitled to vote on an “as converted basis”. The one Class A-1 Special Voting Share is entitled to that number of votes equal to the aggregate number of votes which would be exercisable by the holders of outstanding Series A Convertible Notes upon the exchange of all outstanding Series A Convertible Notes (i.e., those that have not yet converted) into Series A-2 Preferred Shares. The holder of the Class A-1 Special Voting Share will vote such shares at the direction on the holders of the Series A Convertible Notes (based upon the number of votes represented by such Convertible Notes). The Class A-1 Special Voting Share and the Series A-2 Preferred Shares voting together as a single class, will have the right to elect two directors until the aggregate voting power of the Class A-1 Special Voting Share and the Series A-2 Preferred Shares represent less than 11.1% of the total voting power of the Company and one director until the aggregate voting power of the Class A-1 Special Voting Share and the Series A-2 Preferred Shares represent less than 3.0% of the total voting power of the Company. In addition, the Class A-1 Special Voting Share and the outstanding Series A-2 Preferred Shares will vote, as a single class, with the Ordinary Shares on all other matters other than the election of the Ordinary Share directors.

Master Development Agreement Amendment

On June 28, 2024, the Company and its subsidiaries in Hong Kong and China entered into a Second Amendment to the Amended and Restated Master Development Agreement, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement with THRI to amend the Development Schedule and certain requirements relating to sub-franchising and the development of Tims Express and Tims Go.

December 2025 Financing

On December 2, 2025, the Company issued Convertible Senior Secured Notes due on September 30, 2029 in an aggregate principal amount of US\$89,922,201 (equivalent to RMB636,595,230) to Sona Credit Master Fund Limited and Sona Blue Peak, Ltd. (collectively referred to as “SONA”) and THRI, in exchange for the repurchase of all outstanding amount due under Convertible Senior Notes issued to SONA in amount of US\$69,922,201 (equivalent to RMB495,007,230), settlement of overdue accounts payable due to THRI and TDL in amount of US\$17,113,639 (equivalent to RMB121,154,296), and cash proceeds of US\$2,886,361 (equivalent to RMB20,433,704).

Concurrently, THRI and Cartesian agreed to extend the maturity of Convertible Junior Notes from June 28, 2027 to September 30, 2029, remove the term of mandatory conversion and reset the conversion price of Convertible Junior Notes to align with that of Convertible Senior Secured Notes.

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, have 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;
- grantor trusts;
- controlled foreign corporations;
- “qualified foreign pension funds” (within the meaning of Section 897(1)(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 or 877A 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;
- 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;
- persons subject to the alternative minimum tax or the base erosion and anti-abuse tax; 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 own 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 OWN 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 own 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 our 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 own 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 own 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 own 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).

Based on the composition of our income, assets and operations and our subsidiaries, we do not believe we are treated as a PFIC for the 2025 taxable year. However, whether we or any of our subsidiaries 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. Among other factors, fluctuations in the market price of the ordinary shares and how quickly we use liquid assets and cash may influence whether we or any of our subsidiaries are 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 cannot assure you that the IRS will not take a contrary position or that a court will not sustain such a challenge by the IRS.

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 furnishes a correct taxpayer identification number and makes any other required certification (generally on the IRS Form W-9) or such U.S. Holder otherwise establishes an exemption from information reporting and backup withholding (currently at a rate of 24%). 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 furnishes any required information in a timely manner.

U.S. Holders should consult their own 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 own 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 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. 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 RMB24.4 million, RMB41.5 million and RMB62.1 million (US\$8.9 million) for the years ended December 31, 2023, 2024 and 2025, 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 HKD800,000, respectively. Total bank deposits are insured by the government authority with amounts up to RMB16.7 million, RMB12.3 million and RMB12.6 million (US\$1.8 million) as of December 31, 2023, 2024 and 2025, 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, 2025, 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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, our management, including our chief executive officer and chief financial officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2025, using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2025, due to the material weaknesses identified in our internal control over financial reporting as described below.

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, 2025. 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 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, especially on complex U.S. GAAP accounting issues and related disclosures, (iii) enhancing U.S. GAAP accounting policies, procedures manual and management functions, which will be maintained, reviewed and updated, on a regular basis, to the latest U.S. GAAP accounting standards, (iv) improving period end financial closing policies and procedures for preparation of consolidated financial statements, and (v) engaging external specialists and consultants to improve processes and system designs and monitoring controls over period-end financial closing procedures.

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.

Notwithstanding management's assessment that our internal control over financial reporting was not effective as of December 31, 2025, due to the material weaknesses identified, we believe that the consolidated financial statements included in this annual report fairly present our financial position, results of operations and cash flows for the fiscal years covered thereby in all material aspects.

Our independent registered public accounting firm will not be required to report on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an "emerging growth company" as defined in the JOBS Act.

Remediation of Prior Year Material Weaknesses in Internal Control over Financial Reporting

The material weakness disclosed in our annual report on Form 20-F for the year ended December 31, 2024, related to the lack of design, implementation and operating effectiveness of certain general information technology controls in SAP system, including identification and authentication, logical access de-provisioning, privilege access management, program change, segregation of duties in IT program change, monitoring on system job and system recovery, has been remediated as of December 31, 2025.

In order to remediate the above identified material weakness, we formalized policies and procedures on account authorization, access management, program change validation and acceptance, data backup and system recovery. Furthermore, we allocated resources to improve the implementation on the IT internal control process, including segregation of duties in SAP system management and monitoring on SAP service providers to enhance our ability to assess the effectiveness of the SAP system. Through a series of remedial measures, we have effectively mitigated the material weakness related to certain general information technology controls in SAP system identified as of December 31, 2024.

Changes in Internal Control over Financial Reporting

Except for the remediation of the material weakness that existed as of December 31, 2024 described above, there were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16 [Reserved]

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. 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, 2025, 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, | | |
|--------------------|---------------------------------|------------------|-------------------|
| | 2024 | 2025 | |
| | RMB | RMB | US\$ |
| Audit fees | 7,430,000 | 6,720,000 | \$ 960,947 |
| Audit-related fees | - | - | - |
| Tax fees | 160,000 | 120,000 | \$ 17,160 |
| All other fees | - | - | - |
| Total | 7,590,000 | 6,840,000 | \$ 978,107 |

Audit Fees

Audit fees for the year ended December 31, 2025 are related to the audit of our consolidated financial statements and other audit or interim review services provided in connection with statutory, regulatory filings and registration statements or engagements and the audited and unaudited financial statements included in our Registration Statement on Forms F-3.

Audit-related fees

Audit-related Fees represents the aggregate fees billed or to be billed for each of the fiscal years listed for the assurance and related services rendered by our auditor that are reasonably related to the performance of the audit or review of our financial statements and not reported under "Audit Fees."

Tax Fees

Tax fee represents the aggregate fees billed for each of the fiscal years listed for the professional tax services rendered by our auditors.

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, (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, and (c) Nasdaq Listing Rule 5620, which requires that a listed company must hold its annual shareholders meeting within one year of the company's fiscal year-end.

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

We have adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. A copy of our insider trading policies is filed as Exhibit 11.2 to this annual report on Form 20-F.

ITEM 16K CYBERSECURITY

Risk Management and Strategy

We have implemented comprehensive cybersecurity risk assessment procedures to ensure effectiveness in cybersecurity management, strategy and governance and reporting cybersecurity risks. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have developed a comprehensive cybersecurity threat defense system to address both internal and external threats. This system encompasses various levels, including network, host and application security and incorporates systematic security capabilities for threat defense, monitoring, analysis, response, deception and countermeasures. We strive to manage cybersecurity risks and protect sensitive information through various means, such as technical safeguards, procedural requirements, an intensive program of monitoring on our corporate network, continuous testing of aspects of our security posture internally and with outside vendors, a robust incident response program and regular cybersecurity awareness training for employees. Our IT department regularly monitors the performance of our mobile applications, platforms and infrastructure to enable us to respond quickly to potential problems, including potential cybersecurity threats.

As of the date of this Annual Report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

The nominating and corporate governance committee of our board of directors is responsible for overseeing the Company's cybersecurity risk management and be informed on risks from cybersecurity threats. The nominating and corporate governance committee shall review, approve and maintain oversight of the disclosure (i) on Form 6-K for material cybersecurity incidents (if any) and (ii) related to cybersecurity matters in the periodic reports (including annual report on Form 20-F) of the Company. In addition, at the management level, we have formed a data management team, consisting of our head of IT and our general counsel, to oversee and manage cybersecurity related matters and formulate policies as necessary. Our current head of IT, Rui Pang, has over 13 years of experience in cybersecurity risk management. Our data management team reports to our nominating and corporate governance committee on a quarterly basis regarding its assessment, identification and management on material risks from cybersecurity threats happened in the ordinary course of our business operations. If a cybersecurity incident occurs, our data management committee will promptly organize relevant personnel for internal assessment and, depending on the situation, seek the opinions of external experts and legal advisors. If it is determined that the incident could potentially be a material cybersecurity event, our data management committee will promptly report the investigation and assessment results to our nominating and corporate governance committee and our nominating and corporate governance committee will decide on the relevant response measures and whether any disclosure is necessary. If such disclosure is determined to be necessary, our data management committee shall promptly prepare disclosure material for review and approval by our nominating and corporate governance committee before it is disseminated to the public.

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

| Exhibit Number | Description |
|-----------------------|---|
| 1.1 | 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) |
| 2.1* | Description of Securities of the Registrant |
| 2.2 | 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) |
| 2.3 | 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) |
| 2.4 | Assignment, Assumption and Amended & Restated Warrant Agreement by and among Silver Crest Acquisition Corporation, TH International Limited and Continental Stock Transfer & 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) |
| 2.5 | Amendment No. 1 to Assignment, Assumption and Amended & Restated Warrant Agreement by and among Silver Crest Acquisition Corporation, TH International Limited and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to the Form 6-K (File No. 001-41516), furnished with the SEC on June 12, 2023) |
| 2.6 | 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) |
| 2.7 | Amended and Restated Certificate of Designation of Series A-2 Convertible Preferred Shares and Class A-1 Special Voting Share (incorporated by reference to Exhibit 4.1 to the Form 6-K (File No. 001-41516), filed with the SEC on December 3, 2025) |
| 2.8 | Indenture between TH International Limited and Wilmington Savings Fund Society, FSB, as trustee (incorporated by reference to Exhibit 10.1 to the Form 6-K (File No. 001-41516), filed with the SEC on December 3, 2025) |
| 4.1 | 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) |
| 4.2 | 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) |
| 4.3 | 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) |
| 4.4 | 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) |
| 4.5 | 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) |
| 4.6 | 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) |
| 4.7 | 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) |

- 4.8 [Sponsor Lock-Up Agreement, dated as of August 13, 2021, by and between TH International Limited and Silver Crest Management LLC \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K/A filed by Silver Crest Acquisition Corporation on August 19, 2021\)](#)
- 4.9 [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 \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed by Silver Crest Acquisition Corporation on August 19, 2021\)](#)
- 4.10 [Amendment No. 1 to Voting and Support Agreement, dated as of March 9, 2022 \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Silver Crest Acquisition Corporation on March 9, 2022\)](#)
- 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\)](#)

| | |
|----------|---|
| 4.26 | 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) |
| 4.27 | 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) |
| 4.28 | 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) |
| 4.29 | Option Agreement by and between TH International Limited, Pangaea Two Acquisition Holdings XXIIIB Limited and Pangaea Two Acquisition Holdings XXIIIA 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) |
| 4.30 | 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) |
| 4.32 | Share Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Form 6-K (File No. 001-41516), filed with the SEC on July 1, 2024) |
| 4.33 | Second Amendment to the Amended and Restated Master Development Agreement, the HK Amended and Restated Company Franchise Agreement and the PRC Amended and Restated Company Franchise Agreement (incorporated by reference to Exhibit 10.5 to the Form 6-K (File No. 001-41516), filed with the SEC on July 1, 2024) |
| 4.34 | Securities Purchase Agreement (incorporated by reference to Exhibit 10.2 to the Form 6-K (File No. 001-41516), filed with the SEC on July 1, 2024) |
| 4.35 | Form of Series A Convertible Subordinated Note (incorporated by reference to Exhibit 10.3 to the Form 6-K (File No. 001-41516), filed with the SEC on July 1, 2024) |
| 4.36 | Form of Series A-1 Convertible Subordinated Note (incorporated by reference to Exhibit 10.4 to the Form 6-K (File No. 001-41516), filed with the SEC on July 1, 2024) |
| 4.37 | Convertible Note Purchase Agreement among TH International Limited, Tim Hortons Restaurants International GmbH, Sona Credit Master Fund Limited and Sona Blue Peak, Ltd., dated October 31, 2025 (incorporated by reference to Exhibit 10.1 to the Form 6-K (File No. 001-41516), filed with the SEC on October 31, 2025) |
| 4.38 | Amendment No. 3 to Amended and Restated Master Development Agreement, dated as of October 31, 2025, by and among Tim Hortons Restaurants International GmbH, TH Hong Kong International Limited and TH International Limited (incorporated by reference to Exhibit 10.2 to the Form 6-K (File No. 001-41516), filed with the SEC on October 31, 2025) |
| 4.39 | Second Amendment to the Amended and Restated Company Franchise Agreement, dated as of October 31, 2025, by and between Tim Hortons Restaurants International GmbH and TH Hong Kong International Limited (incorporated by reference to Exhibit 10.2 to the Form 6-K (File No. 001-41516), filed with the SEC on October 31, 2025) |
| 4.40 | Letter Agreement to Amend the Convertible Subordinated Notes among Th International Limited, Tim Hortons Restaurants International GmbH, Pangaea Three Acquisition Holdings IV Limited and Pangaea Two Acquisition Holdings XXIIA Limited dated December 2, 2025 (incorporated by reference to Exhibit 10.2 to the Form 6-K (File No. 001-41516), filed with the SEC on December 3, 2025) |
| 8.1* | List of subsidiaries |
| 11.1 | Code of Ethics (incorporated by reference to Exhibit 11 to the annual report on Form 20-F (File No. 001-41516), filed by the Registrant on April 28, 2023) |
| 11.2 | Insider Trading Policy (incorporated by reference to Exhibit 11.2 to the annual report on Form 20-F (File No. 001-41516), filed by the Registrant on May 15, 2025) |
| 12.1* | Certificate of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 12.2* | Certificate of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 13.1** | Certificate of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 13.2** | Certificate of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 15.1* | Consent of KPMG Huazhen LLP |
| 97.1 | Clawback Policy of the Registrant (incorporated by reference to Exhibit 97.1 of the annual report on Form 20-F (File No. 001-41516), filed by the Registrant on April 30, 2024) |
| 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 |

* Filed with this Annual Report.

** Furnished 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 30, 2026

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

Index to the Consolidated Financial Statements

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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, 2025 and 2024, the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred recurring losses and had net operating cash outflow, net current liabilities and accumulated losses that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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 30, 2026

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

| | Note | As of December 31, | |
|--|------|----------------------|----------------------|
| | | 2025 RMB | 2024 RMB |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 3(f) | 121,794,484 | 152,368,315 |
| Restricted cash | 3(f) | 7,916,393 | 31,869,116 |
| Accounts receivable, net | 4 | 17,691,916 | 30,525,920 |
| Amount due from related parties | 25 | 194,765 | 5,857,636 |
| Inventories | 5 | 36,792,722 | 37,578,415 |
| Prepaid expenses and other current assets | 6 | 142,235,378 | 158,881,587 |
| Total current assets | | 326,625,658 | 417,080,989 |
| Non-current assets | | | |
| Property and equipment, net | 7 | 332,069,736 | 502,158,702 |
| Intangible assets, net | 8 | 81,014,374 | 97,019,088 |
| Operating lease right-of-use assets | 12 | 348,916,320 | 493,308,393 |
| Other non-current assets | 9 | 88,050,605 | 53,966,563 |
| Total non-current assets | | 850,051,035 | 1,146,452,746 |
| Total assets | | 1,176,676,693 | 1,563,533,735 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | | |
| Current liabilities | | | |
| Bank borrowings, current | 10 | 395,087,735 | 381,262,545 |
| Accounts payable | | 199,151,784 | 223,837,607 |
| Contract liabilities | 11 | 37,197,137 | 39,677,547 |
| Amount due to related parties | 25 | 17,413,631 | 48,116,596 |
| Convertible notes, at fair value, current | 15 | - | 473,715,560 |
| Operating lease liabilities | 12 | 180,805,734 | 178,115,199 |
| Other current liabilities | 13 | 172,606,016 | 191,206,863 |
| Total current liabilities | | 1,002,262,037 | 1,535,931,917 |

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

| | <u>Note</u> | <u>As of December 31,</u> | |
|---|-------------|-------------------------------|-----------------------------|
| | | <u>2025</u> | <u>2024</u> |
| | | <u>RMB</u> | <u>RMB</u> |
| Non-current liabilities | | | |
| Contract liabilities | 11 | 10,132,998 | 8,021,755 |
| Operating lease liabilities | 12 | 240,282,461 | 380,075,128 |
| Convertible notes, at fair value, non-current | 15 | 1,152,723,200 | 464,847,231 |
| Other non-current liabilities | 16 | 7,710,918 | 7,673,110 |
| Total non-current liabilities | | <u>1,410,849,577</u> | <u>860,617,224</u> |
| Total liabilities | | <u>2,413,111,614</u> | <u>2,396,549,141</u> |
| Shareholders' deficit | | | |
| Series A-2 Convertible Preferred Share (US\$0.00004697934970338660 par value, 0.2 share authorized, issued and outstanding as of December 31, 2025 and 2024) | 17 | - | - |
| Class A-1 Special Voting Share (US\$0.00004697934970338660 par value, 0.2 share authorized, issued and outstanding as of December 31, 2025 and 2024) | 17 | - | - |
| Ordinary shares (US\$0.00004697934970338660 par value, 100,000,000 shares authorized, 33,243,582 and 32,036,529 shares issued and outstanding as of December 31, 2025, respectively, 33,243,582 and 32,010,529 shares issued and outstanding as of December 31, 2024, respectively) | 17 | 9,733 | 9,733 |
| Additional paid-in capital | | 1,821,605,222 | 1,818,421,338 |
| Accumulated losses | | (3,102,993,825) | (2,668,505,330) |
| Accumulated other comprehensive income | | 38,393,189 | 9,184,842 |
| Treasury shares (1,207,053 and 1,233,053 ordinary shares as of December 31, 2025 and 2024, respectively) | 17 | - | - |
| Total deficit attributable to shareholders of the Company | | <u>(1,242,985,681)</u> | <u>(840,889,417)</u> |
| Non-controlling interests | | 6,550,760 | 7,874,011 |
| Total shareholders' deficit | | <u>(1,236,434,921)</u> | <u>(833,015,406)</u> |
| Commitments and contingencies | 24 | | |
| Total liabilities and shareholders' deficit | | <u>1,176,676,693</u> | <u>1,563,533,735</u> |

See Accompanying Notes to Consolidated Financial Statements

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Operations

(Expressed in Renminbi Yuan)

| | <u>Note</u> | <u>For the Years Ended December 31,</u> | | |
|---|-------------|---|-----------------------------|-----------------------------|
| | | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| | | <u>RMB</u> | <u>RMB</u> | <u>RMB</u> |
| Revenues | | | | |
| Company owned and operated stores | | 1,068,169,775 | 1,188,292,854 | 1,389,640,747 |
| Other revenues (including other revenues from transactions with a related party of RMB1,949,211, RMB1,211,216 and nil for the years ended December 31, 2025, 2024 and 2023, respectively) | | 248,026,699 | 202,864,957 | 170,365,060 |
| Total revenues | 18 | <u>1,316,196,474</u> | <u>1,391,157,811</u> | <u>1,560,005,807</u> |
| Costs and expenses, net | | | | |
| Company owned and operated stores | | | | |
| Food and packaging (including cost of Company owned and operated stores from transactions with a related party of RMB30,743,744, RMB53,208,876 and RMB72,109,353 for the years ended December 31, 2025, 2024 and 2023, respectively) | | 321,947,596 | 374,086,268 | 486,359,371 |
| Store rental expenses | | 220,884,832 | 241,425,171 | 289,556,435 |
| Payroll and employee benefits | | 199,341,612 | 231,541,640 | 304,545,595 |
| Delivery costs | | 130,650,009 | 119,171,120 | 116,449,046 |
| Other operating expenses (including service fee from transactions with a related party of RMB600,000, RMB600,000 and RMB600,000 for the years ended December 31, 2025, 2024 and 2023, respectively) | | 84,316,942 | 95,035,952 | 118,633,641 |
| Store depreciation and amortization | | 107,930,233 | 129,613,822 | 138,734,429 |
| Company owned and operated store costs and expenses | | <u>1,065,071,224</u> | <u>1,190,873,973</u> | <u>1,454,278,517</u> |
| Costs of other revenues | | 171,325,892 | 153,611,770 | 149,692,427 |
| Marketing expenses | | 63,456,595 | 64,848,548 | 96,678,285 |
| General and administrative expenses | | 204,342,527 | 210,322,557 | 325,258,149 |
| Franchise and royalty expenses (including franchise and royalty expenses from transactions with a related party of RMB49,935,665, RMB47,477,864 and RMB51,697,551 for the years ended December 31, 2025, 2024 and 2023, respectively) | | 62,736,133 | 57,761,479 | 57,063,007 |
| Other operating costs and expenses | | 3,282,975 | 10,794,362 | 28,872,217 |
| Loss on disposal of property and equipment | | 6,469,536 | 4,146,858 | 16,404,477 |
| Impairment losses of long-lived assets | 7 | 60,319,579 | 56,287,026 | 111,426,961 |
| Other income | 19 | (3,455,175) | (8,408,091) | (11,743,225) |
| Total costs and expenses, net | | <u>1,633,549,286</u> | <u>1,740,238,482</u> | <u>2,227,930,815</u> |
| Operating loss from continuing operations | | (317,352,812) | (349,080,671) | (667,925,008) |

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

| | <u>Note</u> | <u>For the Years Ended December 31,</u> | | |
|--|-------------|---|----------------------|----------------------|
| | | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| | | <u>RMB</u> | <u>RMB</u> | <u>RMB</u> |
| Interest income | | 3,528,064 | 3,202,948 | 14,182,881 |
| Interest expenses | | (16,679,066) | (22,448,159) | (20,419,992) |
| Foreign currency transaction (loss)/gain | | (1,119,173) | 3,484,612 | (16,771,124) |
| Loss of debt extinguishment | 2 | (73,078,104) | (10,657,161) | - |
| Changes in fair value of Deferred Contingent Consideration | 23 | - | (16,941,248) | (26,106,460) |
| Changes in fair value of convertible notes | 23 | (30,626,980) | (65,874,310) | (58,280,908) |
| Changes in fair value of warrant liabilities | 23 | - | - | (83,966,126) |
| Changes in fair value of ESA derivative liabilities | 23 | - | - | 19,654,006 |
| Loss from continuing operations before income taxes | | (435,328,071) | (458,313,989) | (839,632,731) |
| Income tax expenses | 21 | (483,675) | (2,115,015) | (97,241) |
| Net loss from continuing operations | | (435,811,746) | (460,429,004) | (839,729,972) |
| Discontinued operations: | | | | |
| Net income/(loss) from discontinued operations | 2 | - | 51,443,794 | (33,196,461) |
| Net loss | | (435,811,746) | (408,985,210) | (872,926,433) |
| Net loss from continuing operations | | (435,811,746) | (460,429,004) | (839,729,972) |
| Less: Net (loss)/income from continuing operations attributable to non-controlling interests | | (1,323,251) | 3,096,345 | 3,323,950 |
| Net loss from continuing operations attributable to shareholders of the Company | | (434,488,495) | (463,525,349) | (843,053,922) |
| Net income/(loss) from discontinued operations attributable to shareholders of the Company | | - | 51,443,794 | (33,196,461) |
| Net loss attributable to shareholders of the Company | | (434,488,495) | (412,081,555) | (876,250,383) |
| Basic and diluted loss per ordinary share | 22 | (13.36) | (12.70) | (28.41) |

See Accompanying Notes to Consolidated Financial Statements

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

| | <u>Note</u> | <u>For the Years Ended December 31,</u> | | |
|---|-------------|---|----------------------|----------------------|
| | | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| | | RMB | RMB | RMB |
| Net loss | | (435,811,746) | (408,985,210) | (872,926,433) |
| Other comprehensive income/(loss) | | | | |
| Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes | | 2,004,935 | (1,494,507) | (2,116,740) |
| Foreign currency translation adjustment, net of nil income taxes | | 21,352,712 | (10,812,516) | 8,741,308 |
| Amounts reclassified from accumulated other comprehensive income | | 5,850,700 | - | (5,718,400) |
| Unrealized gain on short-term investment, net of nil income taxes | | - | - | 3,584,872 |
| Total comprehensive loss | | (406,603,399) | (421,292,233) | (868,435,393) |
| Less: Comprehensive (loss)/income attributable to non-controlling interests | | (1,323,251) | 3,096,345 | 3,323,950 |
| Comprehensive loss attributable to shareholders of the Company | | (405,280,148) | (424,388,578) | (871,759,343) |

See Accompanying Notes to Consolidated Financial Statements

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

| | Note | Ordinary shares | | Additional paid-in capital | Treasury shares | Accumulated losses | Accumulated other comprehensive income | Total equity (deficit) attributable to shareholders of the Company | Non-controlling interests | Total shareholders' equity (deficit) |
|---|------|-------------------------|--------------|----------------------------|-----------------|------------------------|--|--|---------------------------|--------------------------------------|
| | | Number of issued shares | Amount | | | | | | | |
| | | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| Balance at January 1, 2023 | | 29,836,313 | 8,616 | 1,472,014,651 | - | (1,380,173,392) | 17,000,825 | 108,850,700 | 1,453,716 | 110,304,416 |
| Net loss | | - | - | - | - | (876,250,383) | - | (876,250,383) | 3,323,950 | (872,926,433) |
| Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes | | - | - | - | - | - | (2,116,740) | (2,116,740) | - | (2,116,740) |
| Foreign currency translation adjustment, net of nil income taxes | | - | - | - | - | - | 8,741,308 | 8,741,308 | - | 8,741,308 |
| Unrealized gain on short-term investment, net of nil income taxes | | - | - | - | - | - | 3,584,872 | 3,584,872 | - | 3,584,872 |
| Amounts reclassified from accumulated other comprehensive income | 14 | - | - | - | - | - | (5,718,400) | (5,718,400) | - | (5,718,400) |
| Issuance of shares to L&L Tomorrow Holdings Limited | 17 | 30,005 | 10 | 1,928,074 | - | - | - | 1,928,084 | - | 1,928,084 |
| Decrease of transaction cost of Merger and PIPE Transactions | | - | - | 1,386,708 | - | - | - | 1,386,708 | - | 1,386,708 |
| Transaction cost of equity financing through ESA | | - | - | (4,657,323) | - | - | - | (4,657,323) | - | (4,657,323) |
| Share-based compensation | 20 | - | - | 62,548,907 | - | - | - | 62,548,907 | - | 62,548,907 |
| Exchange of Public and Private Warrants | 14 | 1,083,949 | 365 | 105,931,016 | - | - | - | 105,931,381 | - | 105,931,381 |
| Popeyes Acquisition | 2 | 2,293,315 | 742 | 167,151,137 | - | - | - | 167,151,879 | - | 167,151,879 |
| Exercise of equity-settled share-based payments | 17 | - | - | 1,412,126 | - | - | - | 1,412,126 | - | 1,412,126 |
| Balance at December 31, 2023 | | 33,243,582 | 9,733 | 1,807,715,296 | - | (2,256,423,775) | 21,491,865 | (427,206,881) | 4,777,666 | (422,429,215) |

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

| Note | Series A-2 Convertible Preferred Share | | Class A-1 Special Voting Share | | Ordinary shares | | Additional paid-in capital | Treasury shares | Accumulated losses | Accumulated other comprehensive income | Total deficit attributable to shareholders of the Company | Non-controlling interests | Total shareholders' deficit |
|---|--|------------|--------------------------------|------------|-------------------------|--------------|----------------------------|-----------------|------------------------|--|---|---------------------------|-----------------------------|
| | Number of issued shares | Amount RMB | Number of issued shares | Amount RMB | Number of issued shares | Amount RMB | | | | | | | |
| Balance at January 1, 2024 | - | - | - | - | 33,243,582 | 9,733 | 1,807,715,296 | - | (2,256,423,775) | 21,491,865 | (427,206,881) | 4,777,666 | (422,429,215) |
| Net loss | - | - | - | - | - | - | - | - | (412,081,555) | - | (412,081,555) | 3,096,345 | (408,985,210) |
| Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes | - | - | - | - | - | - | - | - | - | (1,494,507) | (1,494,507) | - | (1,494,507) |
| Foreign currency translation adjustment, net of nil income taxes | - | - | - | - | - | - | - | - | - | (10,812,516) | (10,812,516) | - | (10,812,516) |
| Decrease of transaction cost of Merger and PIPE Transactions | - | - | - | - | - | - | 1,277,140 | - | - | - | 1,277,140 | - | 1,277,140 |
| Share-based compensation | 20 | - | - | - | - | - | 1,045,008 | - | - | - | 1,045,008 | - | 1,045,008 |
| Issuance of Shares | 2 | - | - | - | - | - | 713 | - | - | - | 713 | - | 713 |
| Exercise of equity-settled share-based payments | 17 | - | - | - | - | - | 8,383,181 | - | - | - | 8,383,181 | - | 8,383,181 |
| Balance at December 31, 2024 | - | - | - | - | 33,243,582 | 9,733 | 1,818,421,338 | - | (2,668,505,330) | 9,184,842 | (840,889,417) | 7,874,011 | (833,015,406) |

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

| | Note | Series A-2 Convertible Preferred Share | | Class A-1 Special Voting Share | | Ordinary shares | | Additional paid-in capital | Treasury shares | Accumulated losses | Accumulated other comprehensive income | Total deficit attributable to shareholders of the Company | Non- controlling interests | Total shareholders' deficit |
|---|------|--|---------------|-----------------------------------|---------------|-------------------------------|---------------|----------------------------------|--------------------|------------------------|---|---|----------------------------------|-----------------------------------|
| | | Number of issued shares | Amount RMB | Number of issued shares | Amount RMB | Number of issued shares | Amount RMB | | | | | | | |
| Balance at January 1, 2025 | | - | - | - | - | 33,243,582 | 9,733 | 1,818,421,338 | - | (2,668,505,330) | 9,184,842 | (840,889,417) | 7,874,011 | (833,015,406) |
| Net loss | | - | - | - | - | - | - | - | - | (434,488,495) | - | (434,488,495) | (1,323,251) | (435,811,746) |
| Fair value changes of convertible notes due to instrument- specific credit risk, net of nil income taxes | | - | - | - | - | - | - | - | - | - | 2,004,935 | 2,004,935 | - | 2,004,935 |
| Foreign currency translation adjustment, net of nil income taxes | | - | - | - | - | - | - | - | - | - | 21,352,712 | 21,352,712 | - | 21,352,712 |
| Amounts reclassified from accumulated other comprehensive income | 15 | - | - | - | - | - | - | - | - | - | 5,850,700 | 5,850,700 | - | 5,850,700 |
| Decrease of transaction cost of Merger and PIPE Transactions | | - | - | - | - | - | - | 292,792 | - | - | - | 292,792 | - | 292,792 |
| Share-based compensation | 20 | - | - | - | - | - | - | 2,874,494 | - | - | - | 2,874,494 | - | 2,874,494 |
| Exercise of equity-settled share-based payments | 17 | - | - | - | - | - | - | 16,598 | - | - | - | 16,598 | - | 16,598 |
| Balance at December 31, 2025 | | - | - | - | - | 33,243,582 | 9,733 | 1,821,605,222 | - | (3,102,993,825) | 38,393,189 | (1,242,985,681) | 6,550,760 | (1,236,434,921) |

See Accompanying Notes to Consolidated Financial Statements

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Expressed in Renminbi Yuan)

| | Note | For the Years Ended December 31, | | |
|---|------|----------------------------------|---------------------|----------------------|
| | | 2025 | 2024 | 2023 |
| | | RMB | RMB | RMB |
| Cash flows from operating activities: | | | | |
| Net loss | | (435,811,746) | (408,985,210) | (872,926,433) |
| Net loss/(income) from discontinued operations | | - | (51,443,794) | 33,196,461 |
| <i>Adjustments to reconcile net loss to net cash used in operating activities:</i> | | | | |
| Depreciation and amortization | | 146,795,464 | 169,680,769 | 163,149,386 |
| Loss on disposal of property and equipment | | 6,469,536 | 4,146,858 | 16,404,477 |
| Loss on disposal of intangible assets | | - | 125,747 | 646,162 |
| Provision for inventories write-down | | 2,789,113 | 3,407,308 | 11,589,111 |
| Allowance for expected credit losses | | 3,736,356 | 8,662,226 | 2,602,855 |
| Impairment losses of long-lived assets | | 60,319,579 | 56,287,026 | 111,426,961 |
| Share-based payment expenses | | 2,874,494 | 1,045,008 | 64,476,991 |
| Unrealized foreign currency transaction loss/(gain) | | 615,431 | (1,209,646) | 4,966,290 |
| Transaction cost for issuance of convertible notes | 2 | 13,608,491 | 3,784,959 | - |
| Changes in fair value of Deferred Contingent Consideration | 23 | - | 16,941,248 | 26,106,460 |
| Changes in fair value of convertible notes | 23 | 30,626,980 | 65,874,310 | 58,280,908 |
| Changes in fair value of warrant liabilities | 23 | - | - | 83,966,126 |
| Changes in fair value of ESA derivative liabilities | 23 | - | - | (19,654,006) |
| Loss of debt extinguishment | 2 | 73,078,104 | 10,657,161 | - |
| Accrued interests on promissory notes | | - | 5,269,007 | - |
| <i>Changes in operating assets and liabilities, net of effects of acquisitions and disposals:</i> | | | | |
| Accounts receivable | | 9,097,648 | (11,626,637) | (24,547,169) |
| Amount due from related parties | | 898,226 | (1,092,991) | - |
| Inventories | | (2,003,420) | 8,880,522 | 10,012,161 |
| Prepaid expenses and other current assets | | 16,646,209 | (2,027,059) | (48,579,798) |
| Other non-current assets | | (34,084,042) | 9,887,639 | 18,416,158 |
| Accounts payable | | (24,685,823) | 4,062,778 | 109,135,149 |
| Amounts due to related parties | | 84,573,195 | 130,391,595 | 28,777,686 |
| Contract liabilities | | (746,525) | 1,712,807 | 20,553,014 |
| Other current liabilities | | 25,157,653 | (76,675,057) | (1,066,449) |
| Other non-current liabilities | | 37,808 | (963,571) | 716,728 |
| Right-of-use assets and lease liabilities | | 7,300,431 | 6,825,974 | 4,211,516 |
| Net cash used in operating activities from continuing operations | | (12,706,838) | (46,381,023) | (198,139,255) |
| Net cash provided by operating activities from discontinued operations | | - | 6,714,061 | 2,009,374 |
| Net cash used in operating activities | | (12,706,838) | (39,666,962) | (196,129,881) |

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

| | <u>Note</u> | <u>For the Years Ended December 31,</u> | | |
|---|-------------|---|---------------------|---------------------|
| | | <u>2025</u> | <u>2024</u> | <u>2023</u> |
| | | <u>RMB</u> | <u>RMB</u> | <u>RMB</u> |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment and intangible assets | | (65,618,942) | (102,838,582) | (291,667,204) |
| Purchase of time deposits | | - | - | (17,165,400) |
| Proceeds from disposal of property and equipment | | 2,785,480 | 9,839,495 | 271,437 |
| Proceeds from maturity of time deposits | | - | 17,165,400 | - |
| Proceeds from disposal of short-term investments | | - | - | 369,297,715 |
| Net cash (used in)/provided by investing activities from continuing operations | | (62,833,462) | (75,833,687) | 60,736,548 |
| Net cash provided by/(used in) investing activities from discontinued operations | | - | 67,796,931 | (737,636) |
| Net cash (used in)/provided by investing activities | | (62,833,462) | (8,036,756) | 59,998,912 |
| Cash flows from financing activities: | | | | |
| Proceeds from convertible notes | 2 | 20,433,704 | 41,104,980 | - |
| Payment of issuance costs of convertible notes | 2 | (11,360,352) | (3,784,959) | - |
| Proceeds from issuance of promissory notes | 2 | - | 142,536,000 | - |
| Proceeds from bank borrowings | | 757,450,162 | 700,060,825 | 1,003,893,914 |
| Repayment of bank borrowings | | (744,837,963) | (862,297,171) | (877,002,532) |
| Proceeds from issuance of preferred shares | | - | 713 | - |
| Payments to Shaolin Capital Management LLC due to ESA Transaction | 14 | - | - | (249,470,932) |
| Proceeds from exercise of employee share options | | 16,598 | 8,383,181 | 1,412,126 |
| Payment of offering costs | | - | - | (4,657,323) |
| Proceeds from financing through Popeyes Acquisition | | - | - | 206,658,000 |
| Net cash provided by financing activities from continuing operations | | 21,702,149 | 26,003,569 | 80,833,253 |
| Net cash provided by financing activities | | 21,702,149 | 26,003,569 | 80,833,253 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | | (688,403) | 2,350,888 | 19,806,978 |
| Net decrease in cash and cash equivalents and restricted cash | | (54,526,554) | (19,349,261) | (35,490,738) |
| Cash and cash equivalents and restricted cash at beginning of the year | | 184,237,431 | 203,586,692 | 239,077,430 |
| Cash and cash equivalents and restricted cash at end of the year | | 129,710,877 | 184,237,431 | 203,586,692 |
| Less: Cash and restricted cash of discontinued operations at end of the year | | - | - | (1,271,738) |
| Cash and cash equivalents and restricted cash at end of the year | | 129,710,877 | 184,237,431 | 202,314,954 |

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

(Expressed in Renminbi Yuan)

| | Note | For the Years Ended December 31, | | |
|---|------|----------------------------------|-------------|-------------|
| | | 2025 | 2024 | 2023 |
| | | RMB | RMB | RMB |
| Supplemental disclosure of cash flow information: | | | | |
| Interest expenses paid | | 15,228,346 | 17,912,322 | 20,048,704 |
| Income tax paid | | 1,542,076 | 151,983 | - |
| Supplemental disclosure of non-cash investing and financing activities: | | | | |
| Purchase of property and equipment with unpaid costs accrued within other current liabilities | 13 | 29,496,455 | 75,330,611 | 116,595,550 |
| Settlement of amount due to related parties through issuance of convertible notes | 2 | 121,154,296 | 134,277,011 | - |
| Settlement of Convertible Senior Notes through issuance of convertible notes | 2 | 495,007,230 | - | - |
| Accrual for the transaction cost relating to 2025 Debt Restructuring | 2 | 2,248,139 | - | - |
| Settlement of promissory notes through issuance of convertible notes | 2 | - | 147,819,389 | - |
| Settlement of Deferred Contingent Consideration in exchange of issuance convertible note to Cartesian | 2 | - | 100,569,154 | - |
| Settlement of Deferred Contingent Consideration in exchange of consideration for Popeyes Disposal | 2 | - | 11,174,350 | - |
| Non-cash effect of disposal of Popeyes China | 2 | - | 17,764,115 | - |
| Exchange of Public and Private Warrants by issuance of ordinary shares | 14 | - | - | 105,931,381 |

Details of non-cash items of investing and financing activities relevant to the acquisition of intangible assets and settlement of Deferred Contingent Consideration under the Popeyes Acquisition are disclosed in Note 2.

See Accompanying Notes to Consolidated Financial Statements

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the 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”), a subsidiary of Restaurant Brands International Inc (“RBI”) 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 first Tim Hortons store in Chinese Mainland opened in February 2019. As of December 31, 2025, there were 1,047 Tim Hortons stores in PRC, including 562 Company owned and operated stores and 485 franchised stores. For the 562 Company owned and operated stores, 186 stores are in Shanghai, 62 stores in Beijing, 50 stores in Hangzhou, 30 stores in Shenzhen, 26 stores in Guangzhou, and other 208 stores in Nanjing, Wuhan, Xi’an, Chengdu, Suzhou, etc.

On September 28, 2022, the Company consummated its merger with Silver Crest Acquisition Corporation (the “Merger Transaction”). The Company’s ordinary shares and warrants are listed on the Nasdaq Stock Market LLC (NASDAQ) under the trading symbols “THCH” and “THCHW”, respectively, on September 29, 2022.

On January 7, 2025, the Company implemented a 1-for-5 reverse stock split of the Company’s ordinary shares effective December 31, 2024. The share information and the conversion ratio of the Company’s convertible notes, warrants, option units, and restricted share units of the Company have been retrospectively presented to reflect the effect of the reverse stock split.

2. Significant Transactions

(a) Popeyes Acquisition

On March 30, 2023 (the “Acquisition Date”), the Company entered into a share purchase agreement (the “Popeyes SPA”) with Pangaea Three Acquisition Holdings IV, Limited (“Holdings IV”) and PLK APAC Pte. Ltd. (“PLK”) to acquire 100% of the outstanding shares of PLKC International Limited (“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 (“Cartesian”) and THRI respectively (“Popeyes Transaction”). Pursuant to the Popeyes master development agreement signed between PLKC HK International Limited (the “Popeyes China Franchisee”), a wholly owned subsidiary of Popeyes China and PLK, effective from March 30, 2023, with an initial contractual term of 20 years (the “Popeyes Master Franchise Right”), the Company acquired the exclusive franchise right authorized by PLK, and is authorized to develop and operate stores branded “Popeyes” throughout the Chinese Mainland and Macau. On the Acquisition Date, Popeyes China and Popeyes China Franchisee did not have any business operations nor employees, and did not have assets and liabilities other than the Popeyes Master Franchise Right and US\$30,000,000 (equivalent to RMB206,658,000) in cash. Accordingly, the Company accounted for this transaction as an asset acquisition.

On the Acquisition Date, the Company issued a total of 2,293,315 ordinary shares (among which 2,063,984 ordinary shares were issued to Holdings IV and 229,331 ordinary shares were issued to PLK) with lock-up periods of 18 months from issuance date, in exchange for all of the outstanding shares of Popeyes China. The fair value of the ordinary shares issued was US\$38,550,000 (equivalent to RMB265,555,530) (the “Non-contingent Consideration”) at acquisition day and was recorded in share capital of US\$108 (equivalent to RMB742) and additional paid-in capital of US\$38,549,892 (equivalent to RMB265,554,788).

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In accordance with the Popeyes SPA for the acquisition of Popeyes China, the Company is also obligated to issue an additional number of ordinary shares to Holdings IV and PLK, based on the ratio of 90:10 and with lock-up periods of 18 months from the issuance date 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 trading day of the applicable fiscal year as long as the Popeyes Master Franchise Right is in effect. In addition, the Company may at any time after the Acquisition Date, and at its sole option, pay a lumpsum deferred contingent consideration, plus any unpaid accrued annual deferred contingent consideration. If the Company pays such lumpsum deferred contingent consideration, it will not need to pay any further annual deferred contingent consideration. Such lumpsum deferred contingent consideration will be settled by issuing an additional number of ordinary shares with lock-up periods of 18 months from the issuance date to Holdings IV and PLK based on the ratio of 90:10, which is calculated as: (a) US\$35,000,000, 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 of this option. The fair value of the annual deferred contingent consideration inclusive of the lumpsum deferred contingent consideration prepayment settlement feature (collectively "Deferred Contingent Consideration" or "DCC") was determined as US\$9,600,000 (equivalent to RMB66,130,560) as of March 30, 2023 and recorded as an amount due to related parties. The Deferred Contingent Consideration is in the scope of ASC 480 since the instrument embodies an unconditional obligation that the Company must settle by issuing a variable number of its equity shares and, at inception, the monetary value of the obligation is based predominantly on variations in something other than the fair value of the Company's equity shares. It is measured initially at fair value and subsequently at fair value with changes in fair value recognized in earnings. For the years ended December 31, 2024 and 2023, the Company recognized US\$2,383,607 (equivalent to RMB16,941,248) and US\$3,700,000 (equivalent to RMB26,106,460), respectively, in the changes in fair value of Deferred Contingent Consideration.

In addition, if the number of Popeyes Restaurants opened by Popeyes China on or prior to December 31, 2026 (net of store closures) exceeds Cumulative Opening Target (as defined in the Popeyes master development agreement as amended) for store openings through such date, PLK shall surrender to the Company or one or more of its designees and forfeit for no consideration, 286,664 of the Company's ordinary shares it received from the Popeyes Transaction to be included in the Company's Employee Stock Ownership Plan pool ("Potential PLK forfeiture"). The fair value of this forfeiture feature was determined as US\$950,000 (equivalent to RMB6,544,170) and recorded as a reduction of additional paid-in capital, and a reduction of the acquisition cost of intangible asset for the same amount. The Potential PLK forfeiture is accounted for as an equity-linked financial instrument initially measured at fair value. Since the instrument is considered indexed to the Company's own shares and qualifies for equity classification, there will be no subsequent remeasurement of the instrument.

The total fair value of the Non-contingent Consideration, the Deferred Contingent Consideration less the Potential PLK forfeiture feature was US\$47,200,000 (equivalent to RMB325,141,920), and was allocated to intangible asset of US\$3,865,000 (equivalent to RMB26,624,439), cash of US\$30,000,000 (equivalent to RMB206,658,000) and a reduction of additional paid-in capital of US\$13,335,000 (equivalent to RMB91,859,481) as cost of financing. The acquisition cost of the intangible asset pertains to the annual deferred contingent consideration and lumpsum deferred contingent consideration attributed to PLK less the fair value of the Potential PLK forfeiture. The Company also incurred legal fees and other transaction costs of US\$1,414,371 (equivalent to RMB9,743,037) which is capitalized in the cost of intangible asset.

(b) June 28, 2024 Transactions

On June 28, 2024 (the "Transaction Date"), the Company entered into a series of transactions.

Popeyes Disposal

On Transaction Date, the Company entered into a share purchase agreement for the sale of 100% of equity interest of Popeyes China to PLK for a purchase price on a cash free, debt free basis, subject to certain post-closing adjustments of cash consideration US\$10,979,203 (equivalent to RMB78,284,821), net of Popeyes China's liabilities of RMB17,764,115 assumed by the Company as well as settlement of the Deferred Contingent Consideration due to RBI ("RBI DCC") which is measured at the fair value on Transaction Date in the amount of US\$1,568,361 (equivalent to RMB11,174,350). In accordance with ASC 810-10, the gain of disposal of Popeyes China are recognized in the amount of US\$10,257,280 (equivalent to RMB73,109,395) measured as the excess of the disposal consideration over carrying amount of the former subsidiary's net deficit of RMB1,441,722.

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Concurrently, the Company issued one Series A-1 Convertible Note in the amount of US\$15,000,000 to settle the Deferred Contingent Consideration due to Cartesian (“Cartesian DCC”). The difference between the fair value of the Series A-1 Convertible Note in the amount of US\$15,257,975 (equivalent to RMB108,740,538) and the fair value of Cartesian DCC in the amount of US\$14,115,246 (equivalent to RMB100,569,154) are recorded in the loss of debt extinguishment in the amount of US\$1,142,729 (equivalent to RMB8,121,832).

The disposal of Popeyes China represents a strategic shift for the Company, as a result of qualifying for reporting as discontinued operations. Financial position, results of operations, and cash flows for Popeyes China are reported as discontinued operation for all periods presented and the notes to the financial statements have been adjusted on a retrospective basis.

The results of the discontinued operation for the years ended December 31, 2024 and 2023 are as follows:

(i) Results of discontinued “Popeyes China” operation

| | For the year ended | |
|--|---------------------------|---------------------|
| | December 31, | |
| | 2024 (Note) | 2023 (Note) |
| Company owned and operated store sales | 30,875,454 | 15,761,230 |
| Other revenues | 22,449 | 13,143 |
| Total revenues | 30,897,903 | 15,774,373 |
| Costs and expenses, net | | |
| Company owned and operated stores | | |
| Food and packaging | 11,978,585 | 6,839,014 |
| Store rental expenses | 8,735,620 | 6,200,927 |
| Payroll and employee benefits | 7,971,499 | 6,173,813 |
| Delivery costs | 2,362,132 | 510,438 |
| Other operating expenses | 2,810,735 | 2,783,167 |
| Store depreciation and amortization | 1,888,301 | 877,370 |
| Company owned and operated store costs and expenses | 35,746,872 | 23,384,729 |
| Marketing expenses | 3,828,211 | 5,506,486 |
| General and administrative expenses | 8,630,449 | 18,363,979 |
| Franchise and royalty expenses | 1,895,613 | 1,885,515 |
| Other operating costs and expenses | 9,129 | - |
| Other income | (50) | (108,615) |
| Total costs and expenses, net | 50,110,224 | 49,032,094 |
| Operating loss | (19,212,321) | (33,257,721) |
| Interest income | 3,482 | 66,912 |
| Interest expense | (11,921) | (5,652) |
| Foreign currency transaction loss | (130) | - |
| Loss before taxation | (19,220,890) | (33,196,461) |
| Income tax expenses | - | - |
| Net loss for the year | (19,220,890) | (33,196,461) |
| Gain on disposal of Popeyes business | 70,664,684 | - |
| Net income/(loss) from discontinued operation | 51,443,794 | (33,196,461) |

Note: For the years ended December 31, 2024 and 2023, Popeye’s operating results included the periods from January 1, 2024 to June 28, 2024, and from March 30, 2023 to December 31, 2023, respectively.

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(ii) Effect of disposal on the financial position

| | As of December 31, 2023 |
|---|--|
| Cash | 1,271,738 |
| Inventories | 852,604 |
| Prepaid expenses and other current assets | 2,732,684 |
| Total current assets | 4,857,026 |
| Property and equipment, net | 25,884,026 |
| Intangible assets, net | 36,482,168 |
| Operating lease right-of-use assets | 63,641,599 |
| Other non-current assets | 4,561,539 |
| Total non-current assets | 130,569,332 |
| Total assets | 135,426,358 |
| Accounts payable | 5,074,452 |
| Amount due to related party | 1,002,196 |
| Operating lease liabilities - current | 11,043,233 |
| Other current liabilities | 46,438,123 |
| Total current liabilities | 63,558,004 |
| Operating lease liabilities - non-current | 54,029,794 |
| Other non-current liabilities | 259,578 |
| Total non-current liabilities | 54,289,372 |
| Total liabilities | 117,847,376 |

Issuance of Convertible Notes to THRI

On Transaction Date, the Company entered into a security purchase agreement with THRI to issue one Series A Convertible Note in the amount of US\$20,000,000 in exchange for cash consideration of US\$1,560,836 (equivalent to RMB11,123,053), settlement of overdue accounts payable due to THRI and TDL Group Corp. (“TDL”) in amount of US\$18,079,264 (equivalent to RMB128,847,299) as well as payment of legal fees and other transaction costs of US\$360,000 (equivalent to RMB2,558,664) which was charged directly in the earnings.

In addition, the Company issued Series A Convertible Notes of US\$5,000,000 on August 15, 2024 to THRI in exchange for cash consideration of US\$4,050,146 (equivalent to RMB28,755,632), settlement of overdue accounts payable due to THRI and TDL in amount of US\$774,854 (equivalent to RMB5,429,712) as well as payment of legal fees and other transaction costs of US\$175,000 (equivalent to RMB1,226,295) which was charged directly in the earnings.

The Series A Convertible Notes issued to THRI are recorded as a debt in accordance with ASC 470. The Company elected fair value option to measure the Series A Convertible Notes. The forward meet the definition of freestanding derivative and need to be bifurcated and measured at fair value at initial recognition date and each balance sheet date. The fair value of the derivative was nil on Transaction Date.

The loss between the fair value in amount of US\$25,343,967 (equivalent to RMB180,024,384) and principal amount in amount of US\$25,000,000 (equivalent to RMB 177,579,673) of the Series A Convertible Note issued to THRI are recorded in the gain on disposal of Popeyes business in amount of US\$343,967 (equivalent to RMB2,444,711).

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Issuance of Convertible Notes to Cartesian

On March 7 and March 20, 2024, the Company issued promissory notes in aggregate principal amount of US\$20 million (equivalent to RMB142,536,000) to Holdings IV.

On Transaction date, the Company issued two Series A Convertible Notes in principal amount of US\$10,000,000 each and one Series A-1 Convertible Note in the principal amount of US\$741,340 to entities controlled by Cartesian in settlement of outstanding principal and interest of promissory notes issued in March 2024 in aggregate amount of US\$20,741,340 (equivalent to RMB147,819,389).

In accordance with ASC 470-50, the issuance of convertible notes extinguished promissory notes, and the excess of the fair value of the convertible note over the carrying amount of the promissory note was recorded in loss of debt extinguishment in amount of US\$356,718 (equivalent to RMB2,535,329).

The Series A Convertible Notes and the Series A-1 Convertible Notes are collectively referred to as the “Convertible Junior Notes”. See Note 15(b) for key terms of Convertible Junior Notes.

Issuance of Class A-1 Special Voting Share and Series A-2 Convertible Preferred Share

On Transaction date, the Company issued 0.2 Class A-1 Special Voting Share to THRI in par value of US\$0.00004697934970338660 and nil proceeds to entitle THRI the number of votes equal to the aggregate number of votes which would be exercisable by the holders of outstanding Series A Convertible Notes upon the exchange of all outstanding Series A Convertible Notes.

Concurrently, 0.2 Series A-2 Convertible Preferred Share was issued to THRI for US\$99.99 (equivalent to RMB713). The difference between par value of US\$0.00004697934970338660 and issue value is recorded in additional paid-in capital.

See Note 17 for the detail rights of the shares.

(c) 2025 Debt Restructuring

On October 31, 2025, the Company entered into a definitive agreement for the following debt restructuring, which was closed on December 2, 2025 (the “Closing Date”).

Issuance of Convertible Senior Secured Notes

On Closing Date, the Company issued senior secured convertible notes due on September 30, 2029 (the “Convertible Senior Secured Notes”) in an aggregate principal amount of US\$89,922,201 (equivalent to RMB636,595,230) to Sona Credit Master Fund Limited and Sona Blue Peak, Ltd. (collectively referred to as “SONA”) and THRI, in exchange for the repurchase of all outstanding amount due under Convertible Senior Notes issued to SONA (See Note 15(a)) in amount of US\$69,922,201 (equivalent to RMB495,007,230), settlement of overdue accounts payable due to THRI and TDL in amount of US\$17,113,639 (equivalent to RMB121,154,296), and cash proceeds of US\$2,886,361 (equivalent to RMB20,433,704). See Note 15(c) for key terms of Convertible Senior Secured Notes.

Extension and Alignment of Convertible Junior Notes

Concurrently, THRI and Cartesian agreed to extend the maturity of Convertible Junior Notes (See Note 15(b)) from June 28, 2027 to September 30, 2029, remove the term of mandatory conversion and reset the conversion price of Convertible Junior Notes to align with that of Convertible Senior Secured Notes.

In accordance with ASC 470-50, the Company concluded that both new issued Convertible Senior Secured Notes and modified Convertible Junior Notes are substantially different from old debt instruments, and as a result, extinguishment accounting should be applied. The excess of the fair value of new debts over the net carrying amount of old debts was recorded in loss of debt extinguishment in amount of US\$9,422,201 (equivalent to RMB67,227,404).

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In addition, upon repurchase of Convertible Senior Notes, the accumulated other comprehensive loss relating to change in fair value due to instrument specific credit of Convertible Senior Notes due to instrument-specific credit risk of US\$820,000 (equivalent to RMB5,850,700) was reclassified to loss of debt extinguishment on the consolidated statement of operations for the year ended December 31, 2025.

The Company incurred legal fees and other transaction costs associated with 2025 Debt Restructuring in amount of US\$1,922,266 (equivalent to RMB13,608,491), which were charged directly in the consolidated statements of operations under the fair value option election for convertible notes (See Note 15). As of December 31, 2025, the unpaid transaction costs of US\$317,561 (equivalent to RMB2,248,139) was included in other current liabilities.

3. Summary of Significant Accounting Policies

(a) 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 in which TH International Limited has a controlling financial interest. 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. However, substantial doubt about the Company's ability to continue as a going concern exists.

The Company has incurred losses since its inception. The Company incurred net losses of RMB436 million, RMB409 million and RMB873 million for the years ended December 31, 2025, 2024 and 2023, respectively. For the year ended December 31, 2025, the Company had net operating cash outflow of RMB13 million. As of December 31, 2025, the Company's net current liabilities and accumulated losses were RMB676 million and RMB3,103 million, respectively. The Company will require additional liquidity to continue its operations over the next 12 months.

Historically, the Company had relied principally on proceeds from the issuance of ordinary shares, convertible notes and bank borrowings to finance its operations and business expansion. The Company has evaluated plans to continue as a going concern which include, but are not limited to, (i) reducing discretionary capital and operating expenses (ii) obtaining additional facilities from banks and renewal of existing bank borrowings (iii) obtaining financial support from shareholders and related parties (iv) issuing convertible notes and exploring opportunities for further equity financing. Notwithstanding this, feasibility of some of these plans is contingent upon factors outside of the control of the Company and, as such, the Company concluded that substantial doubt about its ability to continue as a going concern has not been alleviated as of the reporting date.

The consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.

(b) Fiscal Calendar

The Company's fiscal year is from January 1 to December 31.

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(c) 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 include expected credit losses for financial assets held at amortized cost, incremental borrowing rate, net realizable value of inventories, recoverability of long-lived assets, fair value of share-based compensation arrangements, liability-settled share-based payment to non-employee, deferred contingent consideration and convertible notes.

(d) 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 subsidiaries incorporated in Hong Kong is United States Dollars ("US\$"). The functional currency of the Company's subsidiaries in Chinese Mainland 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 on the consolidated statements of operations.

The financial statements of TH International Limited and its wholly owned subsidiaries incorporated in Hong Kong 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) on the consolidated statements of comprehensive loss, and the accumulated foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income on the consolidated balance sheets.

(e) Risks and Concentration

Foreign exchange risk

As the Company's principal activities are carried out in Chinese Mainland, 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.

Concentration of credit risk

The Company's credit risk primarily arises from cash and cash equivalents, restricted cash, prepaid expenses and other current assets and accounts receivable. The bank 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 HKD800,000, respectively. Total bank deposits are insured by the government authority with amounts up to RMB12,636,896 and RMB12,270,323 and as of December 31, 2025 and 2024, respectively.

The Company expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash, 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.

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Accounts receivable are unsecured and are primarily derived from revenue earned from sub-franchisees and wholesale customers. The risk with respect to accounts receivable is mitigated by credit evaluations performed on them.

Concentration of operation 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.

(f) Cash and cash equivalents and restricted cash

Cash and cash equivalents

The Company’s cash and cash equivalents consist of cash on hand, cash held in banks, time deposits which are less than three-months or highly liquid investments.

Restricted cash

Restricted cash represents amounts held by banks, which are not available for the Company’s use, primarily consisting of security for bank borrowings and deposits restricted for use.

Cash and cash equivalents and restricted cash are deposited in financial institutions at below locations:

| | As of December 31, | |
|--|---------------------------|-------------|
| | 2025 | 2024 |
| Cash on hand | 678,309 | 588,493 |
| Financial institutions in Chinese Mainland | | |
| - Denominated in RMB | 38,284,253 | 50,460,661 |
| - Denominated in USD | 89,753,987 | 127,929,476 |
| Total balance of cash and cash equivalents and restricted cash held at Chinese Mainland financial institutions | 128,038,240 | 178,390,137 |
| Financial institutions in HKSAR | | |
| - Denominated in RMB | 969 | 29 |
| - Denominated in USD | 335,147 | 4,422,880 |
| - Denominated in HKD | 658,212 | 835,892 |
| Total balance of cash held at the HKSAR financial institutions | 994,328 | 5,258,801 |
| Total balance of cash and cash equivalents and restricted cash held at financial institutions | 129,032,568 | 183,648,938 |
| Total balance of cash and cash equivalents and restricted cash | 129,710,877 | 184,237,431 |

(g) 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.

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For customers who visit the Company's stores, sales revenue is recognized when Company satisfies its obligation by transferring control of the goods 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 revenue of these sales when kitchen equipment or products are delivered to and accepted by the sub-franchisees and services over the period of time when services are provided, respectively, at the amount that the Company is entitled to receive in exchange.

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.

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.

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(h) Accounts Receivable and Current Expected Credit Losses

Accounts receivable primarily consist of receivables from sub-franchisees and wholesale customers which are recognized and carried at the original invoice amount less an allowance for expected credit losses.

Expected credit losses include losses expected based on known credit issues with specific customers as well as a general expected credit loss allowance based on relevant information, including historical loss rates, current conditions, and reasonable economic forecasts that affect collectability. The Company updates allowance for expected credit losses on a quarterly basis with changes in the allowance recognized in the consolidated statements of operations.

Receivables which are deemed to be uncollectible 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, 2025 and 2024, the Company does not have off-balance-sheet credit exposure related to its sub-franchisees and wholesale customers.

(i) 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 expected credit losses is recorded using the current expected credit losses model. Receivable balances are written off after all collection efforts have been exhausted and the potential for recovery is considered remote.

(j) 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.

(k) 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.

(l) 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. The internal development costs are recorded in the leasehold improvements when the store is open for service.

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

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(m) 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 1 to 13.5 years.

(n) Impairment of Long-Lived Assets

The Company reviews long-lived assets (including property and equipment, 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, the Company has concluded that each individual store is the lowest level of asset group with independent cash flows. The asset that supports the revenue-producing activities of two or more asset groups is defined as an enterprise asset. The unit of account for testing impairment of an enterprise asset comprises that asset plus the other assets and liabilities that together capture the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

If an indicator of impairment exists for an asset group, an estimate of undiscounted future cash flows generated by the asset group is compared to its carrying value. If an asset group is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset group 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.

(o) Employee Benefits

The Company’s subsidiaries in Chinese Mainland 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 statements of operations amounted to RMB54,284,078, RMB66,214,654 and RMB79,565,615 for the years ended December 31, 2025, 2024 and 2023, respectively.

(p) 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.

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(q) 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.

(r) 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.

(s) Non-controlling Interests

The Company reports net income/(loss) attributable to non-controlling interests separately on the consolidated statements of operations. The portion of equity attributable to non-controlling interests is reported within equity, separately from the Company’s shareholders’ deficit on the consolidated balance sheets.

(t) Leases

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.

The Company does not have finance leases for the years ended December 31, 2025, 2024 and 2023.

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.

(u) Marketing Expenses

The Company records advertising and promotional costs in the marketing expenses as incurred. The advertising and promotional costs were RMB63,456,595, RMB64,848,548 and RMB96,678,285 for the years ended December 31, 2025, 2024 and 2023, respectively.

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(v) Government Subsidies

Government subsidies primarily consist of financial subsidies 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 on the consolidated statements 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 on the consolidated statements of operations when the grant becomes receivable.

(w) 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.

(x) Loss Per Share

Basic loss per share represents net loss attributable to shareholders divided by the weighted-average number of ordinary shares outstanding during the year. Shares issuable for little or no consideration upon the satisfaction of certain conditions are considered as outstanding shares and included in the computation of basic loss per share as of the date that all necessary conditions have been satisfied. 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.

(y) 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.

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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.

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 1 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 and cash equivalents, restricted cash, accounts receivable, amount due from related parties, prepaid expenses and other current assets, 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 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. As of December 31, 2025 and 2024, the carrying amounts of other financial instruments approximate their fair value due to their short-term nature.

(z) 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, 2025 and 2024, 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, 2025 and 2024, the paid-in capitals of the Company's PRC subsidiaries in the amount of RMB1,990,894,951 and RMB1,800,629,957, respectively. Because there were accumulated losses in the PRC subsidiaries, the Company's restricted net assets were RMB83,877,190 and RMB88,991,761 as of December 31, 2025 and 2024, respectively.

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(aa) Recently adopted accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires the annual financial statements to include consistent categories and greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. The Company adopted ASU 2023-09 on January 1, 2025, on a prospective basis. The adoption did not have a significant impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280)* which requires public entities to disclose (1) significant segment expenses by reportable segment if they are regularly provided to the Chief Operating Decision Maker (CODM) and included in each reported measure of segment profit or loss, (2) other segment items by reportable segment, (3) more than one measure of segment profit or loss used by the CODM, provided that at least one of the reported measures includes the segment profit or loss measure that is most consistent with GAAP measurement principles, (4) CODM's title and position on both an annual and an interim basis. The Company adopted this standard for the year ended December 31, 2024. The adoption did not have a significant impact on the Company's consolidated financial statements.

In June 2016, the FASB amended ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which was further amended within ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11 and ASU 2020-02 (collectively referred to as ASC 326). The Company adopted ASC 326 on January 1, 2023 using the modified retrospective approach. This adoption did not have a significant impact on the Company's consolidated financial statements.

(bb) New accounting pronouncements

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The standard is intended to improve financial reporting by requiring that public business entities disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. The ASU is effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the effect that the adoption of ASU 2024-03 will have on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-04, *Debt - Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*. This ASU clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as induced conversions. ASU 2024-04 is effective for the Company's annual reporting periods beginning after December 15, 2025. Adoption is either with a prospective method of transition or a retrospective method of transition that is retrospective to the later of the beginning of earliest period presented and the date the entity adopted ASU 2020-06. Early adoption is permitted for all entities that have adopted ASU 2020-06. The Company is currently evaluating the effect that the adoption of ASU 2024-04 will have on its consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU provides a practical expedient that permits an entity to assume that current economic conditions as of the balance sheet date do not change for the remaining life of the asset. Further, the ASU allows an entity, other than a public business entity, that elects the practical expedient to make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. ASU 2025-05 is effective for the Company for annual periods beginning after December 15, 2025. The ASU is applied prospectively, and early adoption is permitted. The Company is currently evaluating the effect that the adoption of ASU 2025-05 will have on its consolidated financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. The ASU amends the criteria for when an entity is required to start capitalizing costs for internal use software. The ASU is effective for the Company for annual periods beginning after December 15, 2027. Adoption is on either a prospective, modified retrospective, or a fully retrospective basis. Early adoption is permitted. The Company is currently evaluating the effect that the adoption of ASU 2025-06 will have on its consolidated financial statements.

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In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*. The ASU provides guidance on accounting for government grants by business entities, including guidance for (1) grants related to assets and (2) grants related to income. The ASU is effective for the Company for annual periods beginning after December 15, 2029. Adoption is either on a modified prospective, modified retrospective, or a fully retrospective basis. Early adoption is permitted. The Company is currently evaluating the effect that the adoption of ASU 2025-10 will have on its consolidated financial statements.

4. Accounts Receivable, Net

Accounts receivable, net of allowance for expected credit losses consist of the following:

| | As of December 31, | |
|--|---------------------------|--------------|
| | 2025 | 2024 |
| Accounts receivable | 35,049,387 | 44,147,035 |
| Less: allowance for expected credit losses | (17,357,471) | (13,621,115) |
| Accounts receivable, net | 17,691,916 | 30,525,920 |

| | As of December 31, | |
|-------------------|---------------------------|-------------|
| | 2025 | 2024 |
| Beginning balance | 13,621,115 | 4,958,889 |
| Provision | 3,736,356 | 8,662,226 |
| Ending balance | 17,357,471 | 13,621,115 |

5. Inventories

Inventories consist of the following:

| | As of December 31, | |
|--------------------------------------|---------------------------|-------------|
| | 2025 | 2024 |
| Food, beverage and packaged products | 26,648,228 | 26,230,212 |
| Merchandise for e-commerce sales | 2,815,376 | 2,979,839 |
| Others | 7,329,118 | 8,368,364 |
| Total | 36,792,722 | 37,578,415 |

Provision for inventories write-down was recognized in costs of other revenues, amounting to RMB2,789,113, RMB3,407,308 and RMB11,589,111 for the years ended December 31, 2025, 2024 and 2023, respectively.

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

| | As of December 31, | |
|---|---------------------------|-------------|
| | 2025 | 2024 |
| Creditable input VAT | 99,058,265 | 122,007,581 |
| Short-term deposits | 12,874,167 | 9,003,252 |
| Receivables from payment processors and aggregators | 12,610,478 | 12,356,383 |
| Prepaid marketing expenses | 5,653,165 | 5,373,942 |
| Others | 12,039,303 | 10,140,429 |
| Total | 142,235,378 | 158,881,587 |

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7. Property and Equipment, Net

Property and equipment, net, consist of the following:

| | As of December 31, | |
|-----------------------------------|---------------------------|--------------------|
| | 2025 | 2024 |
| Furniture and office equipment | 82,350,735 | 85,599,025 |
| Kitchen equipment | 189,690,984 | 213,069,648 |
| Software | 148,554,078 | 131,983,473 |
| Leasehold improvements | 550,222,280 | 591,976,672 |
| Construction in progress | 103,350 | 1,317,561 |
| Property and equipment, gross | 970,921,427 | 1,023,946,379 |
| Less: accumulated depreciation | (523,412,042) | (436,363,031) |
| Less: accumulated impairment loss | (115,439,649) | (85,424,646) |
| Property and equipment, net | <u>332,069,736</u> | <u>502,158,702</u> |

Depreciation and amortization related to property and equipment was RMB125,875,776, RMB144,995,588 and RMB150,454,787 for the years ended December 31, 2025, 2024 and 2023, respectively.

The Company conducted impairment tests each quarter end as triggered by underperformance of certain company owned and operated stores and the Company's plans of store closures, on the recoverability of the related asset groups, comprising store level property and equipment, intangible assets with definite useful lives and ROU assets. The estimated undiscounted future cash flows generated by certain asset groups were less than their carrying amount, and therefore the fair values of the asset groups were estimated. When the fair value of the asset group was less than its carrying amount, the carrying amounts of the long-lived assets in the asset group were reduced on a pro-rata basis but no less than the fair value of an individual long-lived asset. The impairment losses were RMB60,319,579, RMB56,287,026 and RMB111,426,961 for the years ended December 31, 2025, 2024 and 2023, respectively.

The recoverability of the enterprise level assets, primarily comprising franchise right - authorized by THRI, software and leasehold improvements for office, was also evaluated and impairment testing carried out as of December 31, 2025 and 2024. The Company added the carrying amounts of the lower-level asset groups to the carrying amount of the enterprise assets and compared that aggregate carrying amount to the sum of estimated future cash flows of the lower-level asset groups and the cash flows related to the enterprise assets. The estimated undiscounted future cash flows generated by asset groups were greater than their carrying amount, hence no impairment losses were recorded for enterprise assets.

8. Intangible Assets, Net

Intangible assets, net consist of the following:

| | Amortization period (years) | As of December 31, | |
|--|--|---------------------------|-------------------|
| | | 2025 | 2024 |
| Franchise right - authorized by THRI | 20 | 70,288,000 | 71,884,000 |
| Franchise right - upfront franchise fees | 1-13.5 | 86,086,817 | 84,994,957 |
| Less: accumulated amortization | | (75,360,443) | (59,859,869) |
| Intangible assets, net | | <u>81,014,374</u> | <u>97,019,088</u> |

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Amortization of intangible assets is charged to store depreciation and amortization and franchise and royalty expenses as follows:

| | For the year ended December 31 | | |
|-------------------------------------|--------------------------------|-------------------|-------------------|
| | 2025 | 2024 | 2023 |
| Store depreciation and amortization | 8,119,220 | 14,401,566 | 7,329,142 |
| Franchise and royalty expenses | 12,800,468 | 10,283,615 | 5,365,457 |
| Total | 20,919,688 | 24,685,181 | 12,694,599 |

The estimated future amortization expenses related to the intangible assets are set forth as follows:

| | |
|------------------------------|-------------------|
| Year ended December 31, 2026 | 15,178,233 |
| 2027 | 12,775,690 |
| 2028 | 9,952,207 |
| 2029 | 7,419,695 |
| 2030 | 5,695,992 |
| Thereafter | 29,992,557 |
| Total | 81,014,374 |

9. Other Non-Current Assets

Other non-current assets consist of the following:

| | As of December 31, | |
|---------------------------|--------------------|-------------------|
| | 2025 | 2024 |
| Long-term rental deposits | 45,088,451 | 53,966,563 |
| Creditable input VAT | 42,962,154 | - |
| Total | 88,050,605 | 53,966,563 |

10. Bank Borrowings

Bank borrowings consist of the following:

| | As of December 31, | |
|---|--------------------|--------------------|
| | 2025 | 2024 |
| Short-term bank borrowings | 395,087,735 | 375,996,175 |
| Long-term bank borrowings due within one year | - | 5,266,370 |
| Total bank borrowings, current | 395,087,735 | 381,262,545 |

| | As of December 31, | |
|---|--------------------|-------------|
| | 2025 | 2024 |
| Long-term bank borrowings | - | 5,266,370 |
| Less: Long-term bank borrowings due within one year | - | (5,266,370) |
| Total bank borrowings, non-current | - | - |

The Company entered into RMB denominated credit facility agreements with commercial banks in the PRC, which allow the Company to draw down borrowings up to RMB715,000,000 as of December 31, 2025. As of December 31, 2025, the unused credit limit under credit facility agreements was RMB321,125,256.

Certain credit facilities contain covenant to meet the financial performance, if the Company fail to comply with these covenants and is not able to obtain covenant waivers or modifications, the banks could accelerate the indebtedness. As of and for the year ended December 31, 2025 and 2024, the Company was in compliance with these financial covenants.

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As of December 31, 2025 and 2024, the outstanding short-term bank borrowings under credit facility agreements bore interest rates ranging from 2.00% to 4.50% and 2.40% to 4.20% per annum, respectively.

As of December 31 2024, the outstanding long-term bank borrowings under credit facility agreements bore interest rates ranging from 4.20% to 4.60% per annum.

11. Contract Liabilities

Contract liabilities - current consist of the following:

| | As of December 31, | |
|--|---------------------------|-------------------|
| | 2025 | 2024 |
| Deferred revenue related to customer loyalty program | 9,880,088 | 14,187,502 |
| Advance from customers related to coupons and gift cards | 10,730,632 | 12,390,620 |
| Deferred revenue related to upfront franchise fees received from sub-franchisees | 5,166,032 | 3,235,686 |
| Advance from sub-franchisees related to other franchise support activities | 9,054,363 | 8,435,669 |
| Others | 2,366,022 | 1,428,070 |
| Total | 37,197,137 | 39,677,547 |

Contract liabilities - non-current consist of the following:

| | As of December 31, | |
|--|---------------------------|------------------|
| | 2025 | 2024 |
| Deferred revenue related to upfront franchise fees received from sub-franchisees | 10,132,998 | 7,781,755 |
| Others | - | 240,000 |
| Total | 10,132,998 | 8,021,755 |

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.

Among the balance of contract liabilities as of December 31, 2024, RMB39,568,833 was recognized as revenue during the year ended December 31, 2025.

As of December 31, 2025, the Company had RMB15,299,030 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 RMB5,166,032 is expected to be recognized in the next 12 months, RMB10,132,998 is expected to be recognized in next 2 to 10 years.

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.

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12. Leases

The Company leased over 500 company-owned stores and office space as of December 31, 2025. 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 were summarized as follows:

| | For the years ended December 31, | | |
|-----------------------|---|-------------|-------------|
| | 2025 | 2024 | 2023 |
| Operating lease cost | 211,908,384 | 229,718,169 | 279,526,257 |
| Variable lease cost | 17,975,126 | 20,286,865 | 22,664,025 |
| Short-term lease cost | - | - | 200,917 |
| Total rental expense | 229,883,510 | 250,005,034 | 302,391,199 |

The Company was granted nil, nil and RMB2,971,616 in lease concessions from landlords related to the effects of the COVID-19 pandemic for the years ended December 31, 2025, 2024 and 2023. 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 on the consolidated balance sheets as of December 31, 2025 and 2024 were as follows:

| | As of December 31, | |
|---|---------------------------|-------------|
| | 2025 | 2024 |
| Assets | | |
| Operating lease right-of-use assets | 348,916,320 | 493,308,393 |
| Liabilities | | |
| Current operating lease liabilities | 180,805,734 | 178,115,199 |
| Non-current operating lease liabilities | 240,282,461 | 380,075,128 |
| Total operating lease liabilities | 421,088,195 | 558,190,327 |

Other information related to operating leases for the years ended December 31, 2025 and 2024 were as follows:

| | For the years ended December 31, | |
|--|---|-------------|
| | 2025 | 2024 |
| Cash paid for amounts included in the measurement of lease liabilities | 182,297,992 | 204,719,215 |
| Right-of-use assets obtained in exchange for new lease liabilities | 42,320,016 | 16,855,171 |
| | As of December 31, | |
| Weighted-average remaining lease term (years) | 2.61 | 3.45 |
| Weighted-average discount rate | 5.97% | 6.01% |

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Maturities of operating lease liabilities under non-cancellable leases as of December 31, 2025 are as follows:

| | Operating lease commitments |
|--|--|
| 2026 | 187,176,731 |
| 2027 | 149,626,294 |
| 2028 | 102,186,779 |
| 2029 | 57,809,171 |
| 2030 | 29,328,241 |
| Thereafter | 25,594,808 |
| Total undiscounted lease payments | 551,722,024 |
| Less: imputed interest | (130,633,829) |
| Total lease liabilities | 421,088,195 |

13. Other Current Liabilities

Other current liabilities consist of the following:

| | As of December 31, | |
|---|---------------------------|--------------------|
| | 2025 | 2024 |
| Accrued payroll and employee-related costs | 32,587,186 | 37,435,535 |
| Payable for acquisition of property and equipment | 29,496,455 | 75,330,611 |
| Guarantee deposits | 25,345,754 | 16,808,155 |
| Accrued marketing expenses | 3,762,206 | 7,528,051 |
| Sundry taxes payable | 15,317,979 | 10,435,265 |
| Accrued professional service fees | 13,106,747 | 10,733,915 |
| Accrued offering costs | (i) 1,265,184 | 1,581,448 |
| Accrued rental expenses | 2,161,456 | 2,371,324 |
| Other accrual expenses | 49,563,049 | 28,982,559 |
| Total | 172,606,016 | 191,206,863 |

- (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 the Merger Transaction and the Company was 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 either in cash or by issuing 40,000 ordinary shares of the Company. 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, 2025 and 2024, the fair value of the option is US\$180,000 (equivalent to RMB1,265,184) and US\$200,000 (equivalent to RMB1,581,448), respectively.

14. Derivative Financial Liabilities

(a) 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. The Public Warrants began trading on NASDAQ on September 29, 2022, while the Sponsor Warrants and the PIPE Warrants (collectively, the “Private Warrants”) which were held by Silver Crest Management LLC (the “Sponsor”), the PIPE investors or any of their permitted transferees were not traded.

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 consolidated statements of operations.

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On May 12, 2023, the Company offered to the holders of outstanding Public and Private Warrants for a warrant modification to issue 0.048 ordinary shares in exchange for each of the outstanding warrants tendered by the holder and exchanged pursuant to the offer (the “Offer”). Concurrently with the Offer, the Company also solicited consents from holders of the warrants to modify the warrant agreement, which modification will govern all of the warrants, to permit the Company to require that each warrant that is outstanding upon the closing of the Offer be exchanged for 0.043 of an ordinary share, which is a ratio 10% less than the exchange ratio applicable to the Offer. Pursuant to the exchange, the Company issued an aggregate of 1,083,949 ordinary shares in June 2023 in exchange for all of its outstanding warrants, increasing the balances of ordinary shares and additional paid in capital in the amount of RMB365 and RMB105,931,016, respectively.

(b) Contingent cash settlement features of ESA Transaction (“ESA derivative liabilities”)

On September 28, 2022, the Company issued 1,000,000 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”).

According to the ESA Agreement and Amendment No. 2 To ESA Agreement entered into on December 27, 2022, the Company will receive the proceeds from the collateral account. 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 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 Capital Management LLC (“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 consolidated statements of operations, since the Company does not have an unconditional right to avoid delivering cash.

In 2023, the accumulative ESA proceeds of US\$17,292,158 (equivalent to RMB119,826,783) were released from the collateral account and received by the Company while US\$35,874,489 (equivalent to RMB249,470,932) were released from the collateral account and returned to Shaolin. The Company received US\$812,069 (equivalent to RMB5,718,400) of interest income from the collateral account and Shaolin received US\$300,000 interest income from the collateral account. For the year ended December 31, 2023, realized gains of RMB5,718,400 was recorded in interest income due to the termination of ESA Agreement. The ESA derivative liabilities were settled in 2023.

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15. Convertible Notes, at Fair Value

Convertible notes measured at fair value consist of the following:

| | | As of December 31, | |
|---|-----|---------------------------|--------------------|
| | | 2025 | 2024 |
| <i>Current</i> | | | |
| Convertible Senior Notes | (a) | - | 473,715,560 |
| Convertible notes, at fair value, current | | - | 473,715,560 |
| <i>Non-current</i> | | | |
| Convertible Junior Notes | (b) | 514,508,160 | 464,847,231 |
| Convertible Senior Secured Notes | (c) | 638,215,040 | - |
| Convertible notes, at fair value, non-current | | 1,152,723,200 | 464,847,231 |
| Total convertible notes, at fair value | | 1,152,723,200 | 938,562,791 |

(a) Convertible Senior Notes

On December 10, 2021, the Company issued convertible notes due December 10, 2026 in an aggregate principal amount of US\$50,000,000 to certain investors (collectively referred to as “SONA”) at 2% discount, resulting in cash proceeds of US\$49,000,000 (the “Convertible Senior Notes”).

The key terms of Convertible Senior Notes are summarized as follows:

Interest

Convertible Senior 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. For any interest payment period, the Company may, at its option, elect to pay interest on Convertible Senior Notes: i) 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; Or ii) entirely by increasing the principal amount of the outstanding Convertible Senior Notes or by issuing additional Convertible Senior 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 Merger Transaction until December 10, 2026, each holder of Convertible Senior Notes may, in its sole discretion, convert all of its Convertible Senior Notes into a number of fully paid, validly issued and non-assessable ordinary shares of the Company. The initial conversion price is US\$57.50 per share, and subject to changes based on adjustment mechanism provided in the contracts of Convertible Senior Notes. Subsequently, the conversion price was adjusted to US\$54.25 per share in April 2023.

Company’s conversion option

If the Merger 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 December 10, 2026, the Company has the right, at its option, to convert all of Convertible Senior Notes outstanding at conversion price provided by the contracts of Convertible Senior Notes, but only if specified conditions are met. The initial conversion price is US\$57.50 per share and subject to changes based on adjustment mechanism provided in the contracts of Convertible Senior Notes. Subsequently, the conversion price was adjusted to US\$54.25 per share during the year ended December 31, 2022.

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Repurchase

Each holder of Convertible Senior Notes will have the right, after June 20, 2025, at its election, to require the Company to repurchase all of such holder's Convertible Senior Notes for a repurchase price at an amount in cash equal to the principal amount of such Convertible Senior Notes plus accrued and unpaid interest.

Redemption

Convertible Senior 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 Convertible Senior Notes based on the different scenarios.

The Company elected the fair value option under ASC 825-10 to account for Convertible Senior Notes and presented separately in other comprehensive income/(loss) the changes in fair values due to the instrument-specific credit risk.

As SONA has the right to require the Company to repurchase all Convertible Senior Notes after June 20, 2025, the Company reclassified Convertible Senior Notes as current liabilities as of December 31, 2024.

As mentioned in Note 2(c), on December 2, 2025, the Company repurchased all outstanding principal and accrued interest of Convertible Senior Notes in amount of US\$69,922,201 (equivalent to RMB495,007,230) through the issuance of Convertible Senior Secured Notes. After the repurchase, the Convertible Senior Notes were extinguished. The difference between the repurchase consideration and the carrying amount of Convertible Senior Notes as of December 2, 2025 resulted in a gain on extinguishment of US\$1,077,799 (equivalent to RMB7,690,096) and presented in loss of debt extinguishment on the consolidated statements of operations. In addition, the cumulative loss previously recorded in accumulated other comprehensive income for Convertible Senior Notes that resulted from changes in instrument-specific credit risk of US\$820,000 (equivalent to RMB5,850,700) was reclassified to loss of debt extinguishment on the consolidated statements of operations.

(b) Convertible Junior Notes

As mentioned in Note 2(b), on June 28 and August 15, 2024, the Company issued Series A Convertible Notes in an aggregate principal amount of US\$45,000,000 and Series A-1 Convertible Notes in an aggregate principal amount of US\$15,741,340 to THRI and Cartesian, which are collectively referred to Convertible Junior Notes. All payments of principal plus any accrued but unpaid interest on Convertible Junior Notes shall be due and payable on June 28, 2027.

The key original terms of Convertible Junior Notes are summarized as follows:

Interest

Convertible Junior Notes bear interest at a per annum rate equal to the secured overnight financing rate as administered by the SOFR Administrator plus eight percent (8.00%) compounding continuously, which will be due and payable at the earlier of conversion on maturity, and shall be paid in kind (PIK) in the form of additional Convertible Junior Notes to their respective outstanding principal amount.

Conversion

Series A Convertible Notes are convertible into Series A-2 Convertible Preferred Shares while Series A-1 Convertible Notes are convertible into ordinary shares of the Company:

- i) at the option of the holder at any time after January 16, 2025; and
- ii) mandatorily upon maturity or on the occurrence of certain change of control events, provided that the conversion requirements have been met.

Each US\$100 principal amount of Series A Convertible Notes converts into one Series A-2 Convertible Preferred Share and each Series A-2 Convertible Preferred Share converts into 24.202 ordinary shares = US\$4.1319 per ordinary share

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Each US\$100 principal amount of Series A-1 Convertible Notes converts into 24.202 ordinary shares = US\$4.1319 per ordinary share

The Company elected the fair value option under ASC 825-10 to account for Convertible Junior Notes and presented separately in other comprehensive income/(loss) the changes in fair values due to the instrument-specific credit risk.

As mentioned in Note 2(c), concurrently with the issuance of Convertible Senior Secured Notes on December 2, 2025, THRI and Cartesian agreed to amend the following key terms of Convertible Junior Notes:

- i) Extension of maturity date from June 28, 2027 to September 30, 2029;
- ii) Removal of mandatory conversion upon maturity or on the occurrence of certain change of control events; and
- iii) Adjustment of ordinary share conversion rate from US\$4.1319 to US\$2.7822 per share: The number of ordinary shares converted from each US\$100 of principal amount of Series A Convertible Notes or Series A-1 Convertible Notes is adjusted from 24.202 to 35.94.

In accordance with ASC 470-50, the Company evaluated the fair value of the conversion option embedded in Convertible Junior Notes immediately before and after the amendment of terms. The outcome shows the change in the fair value of the embedded conversion option was greater than 10% of the carrying amount of Convertible Junior Notes before the amendment, and as a result, extinguishment accounting was applied. The excess of the fair value of Convertible Junior Notes after the amendment over the carrying amount before the amendment was recorded as loss of debt extinguishment in amount of US\$10,500,000 (equivalent to RMB74,917,500).

(c) Convertible Senior Secured Notes

As mentioned in Note 2(c), on December 2, 2025, the Company issued Convertible Senior Secured Notes in an aggregate principal amount of US\$89,922,201 (equivalent to RMB636,595,230) to SONA and THRI. All payments of principal plus any accrued but unpaid interest on Convertible Senior Secured Notes shall be due and payable on September 30, 2029.

The key terms of Convertible Senior Secured Notes are summarized as follows:

Interest

Convertible Senior Secured Notes bear interest at a per annum rate equal to the Compounded SOFR plus 8.0%, payable semi-annually in arrears on the interest payment dates falling on June 2 and December 2 of each year. On each interest payment date accrued and unpaid interest shall be paid, at the election of the Company, (i) entirely in cash or (ii) by capitalizing on the applicable interest payment date any accrued and unpaid interest (all such accrued and unpaid interest capitalized from time to time is referred to as "PIK Interest") and by the issuance of additional Convertible Senior Secured Notes Convertible Senior Secured Notes having the same terms and conditions as the Convertible Senior Secured Notes.

Collateral and Covenant

Convertible Senior Secured Notes are secured by (i) a pledge of 100% of the shares of THHK and (ii) an all-asset debenture over all of the Company's assets. Convertible Senior Secured Notes contains covenants to restrict the Company's ability to incur debt, make investments, provide security, enter into affiliates transactions, among others, subject to customary exceptions.

Note Holders' conversion right

At any time from December 2, 2025, each holder of Convertible Senior Secured Notes may, in its sole discretion, convert all or part of Convertible Senior Secured Notes into a number of fully paid, validly issued and non-assessable ordinary shares. The principal amount of Convertible Senior Secured Notes that a holder elects to be partially converted shall be at least US\$5 million for each conversion.

The initial conversion price is US\$2.7822 per share and subject to customary anti-dilution adjustments as specified in the agreement of Convertible Senior Secured Notes.

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Repurchase

Each holder of Convertible Senior Secured Notes will have the right, after August 1, 2027, at its election, to require the Company to repurchase all of such holder's Convertible Senior Secured Notes for a repurchase price at an amount in cash equal to the principal amount of such Convertible Senior Secured Notes plus accrued and unpaid interest.

Redemption

The Company has the right, at its election, to redeem all of Convertible Senior Secured Notes, in whole but not in part, together with all accrued and unpaid interest, on or after June 2, 2028 and prior to the seventh (7th) business day immediately before September 30, 2029, for a cash purchase price equal to the principal amount plus accrued and unpaid interest.

Convertible Senior Secured Notes are convertible debt instruments under Subtopic 470-20. The Company elected the fair value option under ASC 825-10 to account for Convertible Senior Secured Notes, which are initially recorded at fair value and measured subsequently at fair value. The changes in fair value due to the instrument-specific credit risk are recognized to other comprehensive income/(loss) and all other changes in fair value are recognized in changes in fair value of convertible notes on the consolidated statements of operations.

16. Other non-current liabilities

Other non-current liabilities consist of the following:

| | As of December 31, | |
|------------------------------|--------------------|-----------|
| | 2025 | 2024 |
| Asset retirement obligations | 7,591,989 | 7,506,609 |
| Others | 118,929 | 166,501 |
| Total | 7,710,918 | 7,673,110 |

17. Shareholders' Deficit

Series A-2 Convertible Preferred Share

On June 28, 2024, the Company issued 0.2 Series A-2 Convertible Preferred Share in par value of US\$0.00004697934970338660 to THRI (See Note 2(b)). The key term of the Series A-2 Convertible Preferred Share are as follows:

Conversion rights

Each holder of Series A-2 Convertible Preferred Shares shall have the right, upon the delivery of a written notice to the Company, to convert any Series A-2 Convertible Preferred Share held by it into that number of fully paid and nonassessable ordinary shares based on the ordinary share conversion rate equal 24.202, which is adjusted to 35.94 on December 2, 2025 (See Note 15(b)).

Each Series A-2 Convertible Preferred Share outstanding shall be automatically converted into that number of fully paid and nonassessable ordinary shares based on the ordinary share conversion rate at the time in effect upon the occurrence of the event of:

- i) fourth anniversary of the first issuance of Series A-2 Convertible Preferred Shares;
- ii) upon consummation of any transaction whereby any person or group of persons, other than a group consisting solely of Cartesian or its affiliates, acquires in exchange for cash more than 50% of the total voting power;
- iii) immediately upon a holder of Series A-2 Convertible Preferred Shares ceasing to be an investor.

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Dividend rights

The Company shall not declare, pay or set aside any dividends on ordinary shares (other than dividends on the ordinary shares payable solely in ordinary shares) unless the holders of Series A-2 Convertible Preferred Shares simultaneously receive a dividend on each outstanding Series A-2 Convertible Preferred Share in an amount equal to that dividend per Series A-2 Convertible Preferred Share as would equal the product of the dividend payable on each ordinary share and the number of ordinary shares then issuable upon conversion of one Series A-2 Convertible Preferred Share, in each case calculated on the record date for determination of holders entitled to receive such dividend.

Liquidation rights

Upon any situation as follows (“Liquidation Event”):

- i) any voluntary or involuntary liquidation, dissolution or winding up of the Company;
- ii) the consummation of a merger or consolidation in which the shareholders of the Company prior to such transaction own less than a majority of the voting securities of the entity surviving such transaction; or
- iii) the sale, distribution or other disposition of all or substantially all of the Company’s assets.

The assets of the Company legally available for distribution to its shareholders shall be distributed among the holders of Series A-2 Convertible Preferred Shares and the holders of ordinary shares pro rata, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted, immediately prior to such Liquidation Event, to ordinary shares.

Redemption rights

No redemption rights.

The Company determined the Series A-2 convertible preferred shares should be classified as permanent equity as there were no redemption or liquidation feature and such shares were not mandatorily or contingently redeemable.

Class A-1 Special Voting Share

On June 28, 2024, the Company issued 0.2 Class A-1 Special Voting Share in par value of US\$0.00004697934970338660 to THRI (See Note 2(b)). Under the Class A-1 Special Voting Share, the holder is entitled to attend all shareholder meetings of the Company and to cast and exercise that number of votes equal to the number of votes which may be cast in respect of Series A-2 Convertible Preferred Shares by the noteholders upon the exchange of all Series A Convertible Notes outstanding from time to time (other than the Series A Convertible Notes held by the Company) in the manner set forth in the Series A Convertible Notes.

Conversion rights

No conversion rights.

Dividend rights

No dividend shall be payable to the holder of the Class A-1 Special Voting Share.

Liquidation rights

The Class A-1 Special Voting Share shall have no rights to participate in any liquidation, winding-up and dissolution of the Company.

Redemption rights

No redemption rights.

The Company determined the Class A-1 Special Voting Share should be classified as permanent equity.

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Ordinary shares

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.

On March 15, 2023, Pangaea Two Acquisition Holdings XXIIA Limited (“Pangaea XXIIA”) irrevocably surrendered to the Company for nil consideration 60,000 ordinary shares of the Company. These 60,000 ordinary shares have been transferred to treasury shares and will be retained for future incentive grants to certain employees of the Company. Since these shares were repurchased by the Company for purposes other than retirement with no consideration paid, nil amount was recognized in the treasury shares.

As mentioned in Note 14(a), the Company issued an aggregate of 1,083,949 ordinary shares in June 2023 in exchange for all of its outstanding warrants, increasing the balances of ordinary shares and additional paid in capital in the amount of RMB365 and RMB105,931,016, respectively.

On October 16, 2023, the Company issued 30,005 ordinary shares to L&L Tomorrow Holdings Limited, an entity controlled by Mr. Lu Yongchen, as a bonus approved in 2023 to the Chief Executive Officer, Mr. Lu Yongchen. The total fair value of such shares was US\$268,542, resulting in share-based compensation expense of US\$268,542 (equivalent to RMB1,928,084) recognized for the year ended December 31, 2023 as general and administrative expenses.

In 2023, the Company reissued 114,650 treasury shares after in connection with exercise of share option units or restricted share units by employee and directors. The difference between the exercise price and par value was recorded in additional paid in capital in the amount of RMB1,412,126.

In 2024, the Company reissued 360,896 treasury shares in connection with exercise of share option units or restricted share units by employee and directors. The difference between the exercise price and par value was recorded in additional paid in capital in the amount of RMB8,383,181.

In 2025, the Company reissued 26,000 treasury shares in connection with exercise of share option units or restricted share units by employee and directors. The difference between the exercise price and par value was recorded in additional paid in capital in the amount of RMB16,598.

18. Revenue

Revenue consists of the following:

| | For the years ended December 31, | | |
|--|----------------------------------|----------------------|----------------------|
| | 2025 | 2024 | 2023 |
| Sales of food, beverage and packaged products by Company owned and operated stores | 1,068,169,775 | 1,188,292,854 | 1,389,640,747 |
| Franchise fees | 36,552,434 | 24,214,820 | 15,443,024 |
| Revenues from other franchise support activities | 196,105,041 | 149,457,775 | 66,878,149 |
| Revenue from e-commerce sales | - | 808,861 | 59,067,398 |
| Revenues from wholesale and other activities | 15,369,224 | 28,383,501 | 28,976,489 |
| Total revenues | 1,316,196,474 | 1,391,157,811 | 1,560,005,807 |

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, 2025, 2024 and 2023.

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19. Other Income

Other Income consists of the following:

| | For the years ended December 31, | | |
|---------------------------------|----------------------------------|-----------|------------|
| | 2025 | 2024 | 2023 |
| Unconditional government grants | 1,652,039 | 6,696,779 | 9,945,338 |
| Others | 1,803,136 | 1,711,312 | 1,797,887 |
| Total | 3,455,175 | 8,408,091 | 11,743,225 |

20. Share-based Compensation

Share Options

On March 19, 2019, the Company's Board of Directors 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 2,897,230 ordinary shares) to be issued under the Scheme.

Original Option Units

During the years ended December 31, 2025, 2024 and 2023, the Company granted 1,812,220 Original Option Units (equivalent to 105,000 ordinary shares), 174,318 Original Option Units (equivalent to 10,100 ordinary shares) and 2,614,947 Original Option Units (equivalent to 151,510 ordinary shares) respectively to the employees or directors (collectively as "Grantees"). The share options can only be vested if the Grantees remain as employees of the Company over the vesting period as specified in the Scheme. Original Option Units will be vested in four tranches in each year from 2nd anniversary date to 5th anniversary date by 25% in each tranche.

The following table sets forth the activities of Original Option Units for the year ended December 31, 2025:

| | 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, 2025 | 19,957,442 | 0.40 | 0.32 | 4.88 | 71,540 |
| Granted | 1,812,220 | 0.16 | - | - | - |
| Forfeited | (199,565) | 0.51 | - | - | - |
| Outstanding as of December 31, 2025 | 21,570,097 | 0.35 | 0.29 | 4.35 | - |
| Expected to be vested as of December 31, 2025 | 21,570,097 | 0.35 | 0.29 | 4.35 | - |
| Exercisable as of December 31, 2025 | 17,756,231 | 0.33 | 0.27 | 3.59 | - |

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Additional Option Units

In 2022 and 2021, the Company granted additional 460,756 share option units (equivalent to 26,699 ordinary shares) and 955,643 share option units (equivalent to 55,374 ordinary shares) 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 PRC 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 a cash bonus payable and Additional Option Units with three-year pre-requisite service period.

During the years ended December 31, 2025, 2024 and 2023, the Company granted nil Additional Option Units.

The following table sets forth the activities of Additional Option Units for the year ended December 31, 2025:

| | Number of Additional Option Units | Weighted average exercise price | Weighted average grant date fair value | Weighted average remaining contractual years | Aggregate intrinsic value |
|---|--|--|---|---|--|
| | | US\$ | US\$ | | US\$ |
| Outstanding as of January 1, 2025 | 528,942 | 0.82 | 0.58 | 0.03 | - |
| Forfeited | (19,399) | 1.06 | - | - | - |
| Outstanding as of December 31, 2025 | <u>509,543</u> | 0.81 | 0.58 | - | - |
| Expected to be vested as of December 31, 2025 | 509,543 | 0.81 | 0.58 | - | - |
| Exercisable as of December 31, 2025 | 509,543 | 0.81 | 0.58 | - | - |

Restricted Share Units

During the years ended December 31, 2025, 2024 and 2023, the Company granted nil, nil and 9,184,482 Restricted Share Units (equivalent to 532,149 ordinary shares) to the Grantees.

Restricted Share Units are immediately vested on the grant date and cannot be sold, assigned, transferred, pledged, mortgaged, encumbered or otherwise disposed through one or a series of transactions by Grantees during the period (“Lock-up Period”). The Lock-up period is specified as below:

| Lock-up Period of the relevant percentage of the option | Cap of vested Share Unit |
|--|-------------------------------------|
| After 6 months since the vesting date | 20% |
| After 12 months since the vesting date | 50% |
| After 18 months since the vesting date | 100% |

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The following table sets forth the activities of Restricted Share Units for the year ended December 31, 2025:

| | Number of Restricted Share Units | Weighted average exercise price | Weighted average grant date fair value | Aggregate intrinsic value |
|--|---|--|---|--------------------------------------|
| | | US\$ | US\$ | US\$ |
| Outstanding as of January 1, 2025 | 13,545,875 | 0.00 | 0.62 | 2,786,010 |
| Exercise | (379,703) | 0.00 | - | - |
| Outstanding as of December 31, 2025 | <u>13,166,172</u> | 0.00 | 0.61 | 1,875,834 |
| Vested and expected to be vested as of December 31, 2025 | <u>13,166,172</u> | 0.00 | 0.61 | 1,875,834 |

The above share options granted to Grantees were measured at fair value using the Binomial Option Pricing Model as of the respective grant dates.

The key assumptions are listed as follows:

| | 2025 | 2024 | 2023 |
|---|-------------|-------------|-------------------|
| Expected volatility | 23.00% | 24.00% | 24.00% |
| Risk-free interest rate (per annum) | 4.10% | 4.60% | 5.02% |
| Exercise multiple | 2.80 | 2.20 | 2.80 |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |
| Expected term (in years) | 10 | 10 | 10 |
| Fair value of the underlying ordinary share | US\$2.70 | US\$3.45 | US\$2.15-US\$4.15 |

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. Expected term is the contract life of the share options. The fair value of the underlying ordinary share is the closing price of the Company's ordinary shares traded in the open market as of the grant date.

All of share-based compensation expenses relating to Original Option Units, Additional Option Units and Restricted Share Units in the amount of RMB2,874,494, RMB1,045,008 and RMB62,548,907 for the years ended December 31, 2025, 2024 and 2023, respectively, were included in general and administrative expenses.

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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.

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, 2025, 2024 and 2023.

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, would need to meet additional requirements, including, amongst others, the economic substance requirements in order to continue to be entitled to the offshore income tax exemption in Hong Kong.

Chinese Mainland

The Company's subsidiaries in Chinese Mainland 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 from continuing operations before income taxes are as follows:

| | Year ended December 31, | | |
|--|-------------------------|----------------------|----------------------|
| | 2025 | 2024 | 2023 |
| Loss from continuing operations before income taxes: | | | |
| - Chinese Mainland | (301,351,207) | (342,851,600) | (594,685,363) |
| - Hong Kong | (2,670,612) | 3,637,071 | 4,576,236 |
| - Cayman Islands | (131,306,252) | (119,099,460) | (249,523,604) |
| Total | <u>(435,328,071)</u> | <u>(458,313,989)</u> | <u>(839,632,731)</u> |

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The components of income tax expense for the years ended December 31, 2025, 2024 and 2023 are as follows:

| | Year ended December 31, | | |
|-----------------------------|-------------------------|------------------|---------------|
| | 2025 | 2024 | 2023 |
| Current income tax expense | | | |
| - Chinese Mainland | 483,675 | 2,096,534 | 97,241 |
| - Hong Kong | - | 18,481 | - |
| Total current tax provision | <u>483,675</u> | <u>2,115,015</u> | <u>97,241</u> |
| Total income tax expense | <u>483,675</u> | <u>2,115,015</u> | <u>97,241</u> |

Reconciliation of the provision for income taxes to the amount computed by applying the 25% statutory PRC corporate income tax rate to income before income taxes after the adoption of ASU 2023-09 is as follows:

| | Year ended December 31, | |
|--|-------------------------|---------------|
| | 2025 | |
| | Amount | Percent |
| Tax calculated at the PRC statutory tax rate | (108,832,018) | 25.0% |
| Non-deductible expenses | 734,500 | (0.2)% |
| Tax loss expiration | 29,694,743 | (6.8)% |
| Change in valuation allowance | 45,392,233 | (10.4)% |
| Foreign tax effect: | | |
| <i>Cayman Islands</i> | | |
| - Tax rate differential | 32,826,563 | (7.5)% |
| <i>Hong Kong</i> | | |
| - Tax rate differential | 227,002 | (0.1)% |
| - Tax-exempt income | (180,128) | 0.0% |
| - Change in valuation allowance | 620,780 | (0.1)% |
| Total | <u>483,675</u> | <u>(0.1)%</u> |

During the year ended December 31, 2025, the Company paid income taxes of RMB1,542,076 for the subsidiaries in Chinese Mainland.

Reconciliation of the differences between PRC statutory income tax rate and the Company's effective income tax rate for the years ended December 31, 2024 and 2023 are as follows:

| | Year ended December 31, | |
|--|-------------------------|---------------|
| | 2024 | 2023 |
| PRC statutory tax rate | 25.0% | 25.0% |
| Effect of tax rate differential for non-PRC entities | (6.5)% | (7.1)% |
| Effect of non-deductible expenses | (1.2)% | (0.6)% |
| Effect of tax-exempt income | 0.1% | - |
| Change in valuation allowance | (17.9)% | (17.3)% |
| Actual income tax rate | <u>(0.5)%</u> | <u>(0.0)%</u> |

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The principal components of the deferred tax assets and liabilities are as follows:

| | As of December 31, | |
|--|---------------------------|----------------------|
| | 2025 | 2024 |
| <i>Deferred tax assets:</i> | | |
| Operating losses carryforwards | 445,565,581 | 409,124,311 |
| Contract liabilities | 11,832,534 | 6,644,531 |
| Impairment losses | 38,101,318 | 26,434,674 |
| Operating lease liabilities | 105,272,049 | 139,547,582 |
| Other current liabilities | 20,124,872 | 31,384,591 |
| Property and equipment | 6,810,195 | 7,164,319 |
| Total gross deferred tax assets | 627,706,549 | 620,300,008 |
| Less: valuation allowances | (528,140,664) | (482,127,651) |
| Deferred tax assets, net of valuation allowance | 99,565,885 | 138,172,357 |
| <i>Deferred tax liabilities:</i> | | |
| Operating right-of-use assets | (87,229,080) | (123,327,098) |
| Property and equipment | (12,336,805) | (14,845,259) |
| Total deferred tax liabilities | (99,565,885) | (138,172,357) |
| Deferred tax assets | 99,565,885 | 138,172,357 |
| Deferred tax liabilities | (99,565,885) | (138,172,357) |
| Net deferred tax assets | - | - |

As of December 31, 2025, the Company had net operating loss carryforwards of RMB1,779,779,202 attributable to the PRC subsidiaries, among which, RMB358,250,929, RMB337,288,497, RMB414,092,648, RMB400,980,822 and RMB269,166,306 will expire, if unused, by year 2026, 2027, 2028, 2029 and 2030, 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, projected future taxable income and tax planning strategies.

As of December 31, 2025 and 2024, the valuation allowance of RMB528,140,664 and RMB482,127,651 were mainly 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, 2025 and 2024.

Changes in valuation allowance are as follows:

| | Year ended December 31, | |
|--|--------------------------------|--------------------|
| | 2025 | 2024 |
| Balance at the beginning of the year | 482,127,651 | 418,748,714 |
| Increases in the year | 75,707,756 | 82,215,410 |
| Decrease due to expiration of loss carryforwards | (29,694,743) | (18,836,473) |
| Balance at the end of the year | 528,140,664 | 482,127,651 |

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 2020 to 2025 are open to examination by the PRC tax authorities.

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22. Loss Per Share

Basic and diluted losses per ordinary share for the years ended December 31, 2025, 2024 and 2023 are calculated as follow.

| | As of and for the year ended December 31, | | |
|---|--|----------------------|----------------------|
| | 2025 | 2024 | 2023 |
| Numerator: | | | |
| Net loss from continuing operations attributable to shareholders of the Company | (434,488,495) | (463,525,349) | (843,053,922) |
| Net income/(loss) income from discontinued operations attributable to shareholders of the Company | - | 51,443,794 | (33,196,461) |
| Net loss attributable to shareholders of the Company | <u>(434,488,495)</u> | <u>(412,081,555)</u> | <u>(876,250,383)</u> |
| Denominator: | | | |
| Basic and diluted weighted average number of ordinary shares | 32,519,377 | 32,444,772 | 30,837,733 |
| Basic and diluted loss per ordinary share | | | |
| Continuing operations | (13.36) | (14.29) | (27.34) |
| Discontinued operations | - | 1.59 | (1.07) |
| Total | <u>(13.36)</u> | <u>(12.70)</u> | <u>(28.41)</u> |

For the year ended December 31, 2025, 2024 and 2023, the calculation of basic loss per ordinary shares excludes 280,000 unvested earn-in shares owned by the Sponsor 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, | | |
|---|---|-------------|-------------|
| | 2025 | 2024 | 2023 |
| Earn-out shares | 2,800,000 | 2,800,000 | 2,800,000 |
| Original Option Units | 1,249,771 | 1,156,334 | 1,579,525 |
| Additional Option Units | 29,523 | 30,647 | 51,690 |
| Liability-settled share-based payment to non-employee | 40,000 | 40,000 | 40,000 |
| Convertible Senior Notes | - | 921,659 | 921,659 |
| Convertible Junior Notes | 21,832,126 | 14,700,619 | - |
| Convertible Senior Secured Notes | 32,320,538 | - | - |

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23. 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, 2025 and 2024:

| | As of December 31, 2025 | | | Total Fair |
|---|-------------------------|----------|----------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Value |
| | RMB | RMB | RMB | RMB |
| <i>Current liabilities</i> | | | | |
| Liability-settled share-based payment to non-employee | - | - | 1,265,184 | 1,265,184 |
| <i>Non-current liabilities</i> | | | | |
| Convertible Junior Notes | - | - | 514,508,160 | 514,508,160 |
| Convertible Senior Secured Notes | - | - | 638,215,040 | 638,215,040 |
| Total | - | - | 1,153,988,384 | 1,153,988,384 |
| | As of December 31, 2024 | | | Total Fair |
| | Level 1 | Level 2 | Level 3 | Value |
| | RMB | RMB | RMB | RMB |
| <i>Current liabilities</i> | | | | |
| Convertible Senior Notes | - | - | 473,715,560 | 473,715,560 |
| Liability-settled share-based payment to non-employee | - | - | 1,581,448 | 1,581,448 |
| <i>Non-current liabilities</i> | | | | |
| Convertible Junior Notes | - | - | 464,847,231 | 464,847,231 |
| Total | - | - | 940,144,239 | 940,144,239 |

The fair value of convertible notes and liability-settled share-based payment to non-employee were estimated by management with the assistance of an independent valuation firm. The convertible notes were measured at fair value using the Binomial Option Pricing Model. The liability-settled share-based payment to non-employee were measured at fair value using the Black-Scholes Option Pricing Model.

As of December 31, 2025, the assumptions were as follow:

| | Convertible Senior Secured Notes | Convertible Junior Notes | Liability- settled share- based payment to non-employee |
|---|--|-----------------------------|---|
| Expected volatility | 20.00% | 20.00% | 52.00% |
| Risk-free interest rate (per annum) | 3.63% | 3.63% | 3.56% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |
| Fair value of the underlying ordinary share | US\$2.49 | US\$2.49 | US\$2.49 |
| Bond yield | 12.08% | 12.08% | N/A |

As of December 2, 2025, the Closing Date of 2025 Debt Restructuring (Note 2(c)), the assumptions were as follow:

| | Convertible Senior Notes – before extinguishment | Convertible Senior Secured Notes | Convertible Junior Note – before amendment | Convertible Junior Note – after amendment |
|---|---|--|---|--|
| Expected volatility | 60.00% | 20.00% | 60.00% | 20.00% |
| Risk-free interest rate (per annum) | 3.58% | 3.59% | 3.56% | 3.59% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Fair value of the underlying ordinary share | US\$2.66 | US\$2.66 | US\$2.66 | US\$2.66 |
| Bond yield | 12.00% | 11.91% | 12.00% | 11.91% |

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As of December 31, 2024, the assumptions were as follow:

| | Convertible Senior Notes | Convertible Junior Notes | Liability- settled share- based payment to non-employee |
|---|---|-------------------------------------|--|
| Expected volatility | 82.00% | 22.00% | 93.00% |
| Risk-free interest rate (per annum) | 4.25% | 4.27% | 5.53% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% |
| Fair value of the underlying ordinary share | US\$3.55 | US\$3.55 | US\$3.55 |
| Bond yield | 10.52% | 10.33% | N/A |

As of June 28, 2024, the Transaction Date (Note 2(b)), the assumptions were as follow:

| | Convertible Junior Note | Deferred Contingent Consideration |
|---|------------------------------------|--|
| Expected volatility | 22.00% | 21.00% |
| Risk-free interest rate (per annum) | 4.52% | 3.10% |
| Expected dividend yield | 0.00% | 0.00% |
| Fair value of the underlying ordinary share | US\$3.75 | US\$3.75 |
| Bond yield | 10.80% | N/A |
| Discount rate | N/A | 21.00% |

The expected volatility was estimated based on the historical volatility of the Company or comparable peer public companies with a time horizon close to the expected term of convertible notes, liability-settled share-based payment to non-employee and Deferred Contingent Consideration. 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 convertible notes, liability-settled share-based payment to non-employee and Deferred Contingent Consideration in effect at the 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 fair value of the underlying ordinary share was obtained from the listed trading price of the Company. The bond yield was based on the market yield of comparable bonds with similar credit rating.

The Deferred Contingent Consideration was measured at fair value using a combination of discounted cashflow model and the Black-Scholes Model as it is largely based on revenue generated from Popeyes restaurants. The cashflow forecast of Deferred contingent consideration is based on management plan of Popeyes restaurants to be opened during the forecast period and expected average revenue per store, which consider the store opening milestones stipulated in the Popeyes master development agreement and historical experience of per store revenue with comparable store size and type of food menu.

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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, 2025, 2024 and 2023:

| | Convertible Senior Notes | Convertible Junior Notes | Convertible Senior Secured Notes | Liability- settled share-based payment to non-employee |
|--|-------------------------------------|-------------------------------------|---|---|
| Balance as of January 1, 2025 | 473,715,560 | 464,847,231 | - | 1,581,448 |
| Additions | - | - | 636,595,230 | - |
| Changes in fair value, excluding impact of instrument-specific credit risk | 36,388,500 | (12,024,615) | 6,263,095 | (292,792) |
| Changes in fair value due to instrument specific credit risk | - | (2,004,935) | - | - |
| Repurchase of Convertible Senior Notes | (495,007,230) | - | - | - |
| Loss of debt extinguishment | (7,690,096) | 74,917,500 | - | - |
| Foreign currency translation adjustment | (7,406,734) | (11,227,021) | (4,643,285) | (23,472) |
| Balance as of December 31, 2025 | <u>473,715,560</u> | <u>464,847,231</u> | <u>638,215,040</u> | <u>1,265,184</u> |

| | Convertible Senior Notes | Convertible Junior Notes | Liability- settled share-based payment to non-employee | Deferred contingent consideration |
|--|-------------------------------------|-------------------------------------|---|--|
| Balance as of January 1, 2024 | 420,712,380 | - | 2,833,080 | 94,199,910 |
| Additions | - | 439,723,560 | - | - |
| Changes in fair value, excluding impact of instrument-specific credit risk | 44,764,043 | 21,110,267 | (1,277,140) | 16,941,248 |
| Changes in fair value due to instrument specific credit risk | 1,494,507 | - | - | - |
| Foreign currency translation adjustment | 6,744,630 | 4,013,404 | 25,508 | 602,346 |
| Settlement of deferred contingent consideration | - | - | - | (111,743,504) |
| Balance as December 31, 2024 | <u>473,715,560</u> | <u>464,847,231</u> | <u>1,581,448</u> | <u>-</u> |

| | Convertible Senior Notes | Short-term investments | Warrant liabilities | ESA derivative liabilities | Liability- settled share-based payment to non-employee | Deferred contingent consideration |
|---|-------------------------------------|-----------------------------------|--------------------------------|---|---|--|
| Balance as of January 1, 2023 | 354,080,264 | 372,375,701 | 19,083,004 | 269,251,436 | 4,039,468 | - |
| Additions | - | - | - | - | - | 65,968,319 |
| Changes in fair value, excluding impact of instrument-specific credit risk | 58,280,908 | 3,584,872 | 83,966,126 | (19,654,006) | (1,386,708) | 26,106,460 |
| Realized gain recognized in interest income | - | (5,718,400) | - | - | - | - |
| Changes in fair value due to instrument specific credit risk | 2,116,740 | - | - | - | - | - |
| Foreign currency translation adjustment | 6,234,468 | (944,458) | 2,882,251 | (126,498) | 180,320 | 2,125,131 |
| Exercise of Public and Private warrants | - | - | (105,931,381) | - | - | - |
| Settlement of 1 st , 2 nd and 3 rd tranches of ESA Agreement | - | (369,297,715) | - | (249,470,932) | - | - |
| Balance as of December 31, 2023 | <u>420,712,380</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,833,080</u> | <u>94,199,910</u> |

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Nonrecurring Fair Value Measurements

Long-lived assets within asset groups were measured at fair value based on unobservable inputs (Level 3) on a nonrecurring basis at the end of each quarter due to impairment recognized on those assets at that date (see Note 7). The fair values of store-level assets primarily reflect the price market participant would pay to sub-lease the ROU assets and acquire remaining store assets, representing the highest and best use of these assets. Significant unobservable inputs used in the fair value measurement include future market rental prices.

24. 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 RMB7,813,087 and RMB49,935,665 for the year ended December 31, 2025, and RMB10,299,855 and RMB48,435,412 for the year ended December 31, 2024, respectively. The outstanding accrued franchise fee due to THRI were RMB8,732,153 and RMB24,640,581 as of December 31, 2025 and 2024, respectively, which were recorded as amount due to related parties on the consolidated balance sheets.

25. Related Parties

The major related parties are summarized as follow:

| Names of major related parties | Nature of relationship |
|---|---|
| Pangaea XXIIA | Largest shareholder of the Company |
| THRI | Shareholder of the Company |
| Cartesian | Ultimate controlling party of Pangaea XXIIA |
| Holdings IV | Entity controlled by Cartesian |
| Pangaea Data Tech (Shanghai) Co., Ltd. ("DataCo") | Entity controlled by Cartesian |
| RBI | Ultimate controlling party of THRI |
| TDL | Entity controlled by THRI |
| PLK | Entity controlled by THRI subsequent to June 28, 2024 |
| Bobipai (Shanghai) Catering Management Co., Ltd. ("Bobipai Shanghai") | Entity controlled by THRI subsequent to June 28, 2024 |

During the years ended December 31, 2025, 2024 and 2023, in addition to the related party transactions disclosed in notes 2, 14, 15, 17 and 20 to the financial statements, the Company entered into the following significant related party transactions.

| | | For the Years Ended December 31, | | |
|---|-------|----------------------------------|------------|------------|
| | | 2025 | 2024 | 2023 |
| Continuing franchise fee to THRI | (i) | 49,935,665 | 47,477,864 | 51,697,551 |
| Continuing franchise fee to PLK | (i) | - | 957,548 | 488,633 |
| Upfront franchise fee to THRI | (ii) | 7,813,087 | 10,137,871 | 27,318,877 |
| Upfront franchise fee to PLK | (ii) | - | 161,984 | 513,564 |
| Purchase of coffee beans from TDL | (iii) | 34,582,491 | 44,539,371 | 63,400,907 |
| Services provided by DataCo | (iv) | 4,795,456 | 5,866,415 | 8,097,359 |
| Provision of services to Bobipai Shanghai | (v) | 1,949,211 | 1,211,216 | - |
| Reimbursements from Bobipai Shanghai | (vi) | - | 185,097 | - |

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The balances of transactions with related parties are set forth below:

Amount due from related parties:

| | | As of December 31, | |
|---|-------|---------------------------|------------------|
| | | 2025 | 2024 |
| Amount due from Bobipai Shanghai related to provision of services | (v) | 194,765 | 1,092,991 |
| Amount due from RBI related to Popeyes Disposal | (vii) | - | 4,764,645 |
| Total | | 194,765 | 5,857,636 |

Amount due to related parties:

| | | As of December 31, | |
|--------------|---------|---------------------------|-------------------|
| | | 2025 | 2024 |
| TDL | (iii) | 5,435,579 | 20,983,264 |
| THRI | (i)(ii) | 8,732,153 | 24,640,581 |
| DataCo | (iv) | 3,245,899 | 1,528,811 |
| Cartesian | | - | 963,940 |
| Total | | 17,413,631 | 48,116,596 |

- (i) Pursuant to the master development agreement between the Company and THRI or PLK, pays continuing franchise fee based on certain percentage of revenue generated from Company owned and operated stores and franchise 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 or PLK, the Company pays upfront franchise fee for each newly opened store to THRI or PLK during the term of the master development contract.
- (iii) The Company purchased coffee beans from TDL for its daily operation in the amount of RMB34,582,491, RMB44,539,371 and RMB63,400,907 for the years ended December 31, 2025, 2024 and 2023, respectively. The Company sold and recognized coffee beans purchased from TDL for its daily operation in the costs of food and packaging in the amount of RMB30,743,744, RMB53,208,876 and RMB72,109,353 for the years ended December 31, 2025, 2024 and 2023, respectively.
- (iv) DataCo provides various data maintenance and management services, technical supports and consulting services in support of the operation of the Company. The relevant service fees of RMB600,000 each year recognized in other operating expenses for the years ended December 31, 2025, 2024 and 2023. In addition, RMB4,195,456, RMB5,266,415 and RMB7,497,359 for the years ended December 31, 2025, 2024 and 2023, respectively, were capitalized in property and equipment.
- (v) After Popeyes Disposal, the Company provided transitioning management support and IT support to Bobipai Shanghai in the amount of RMB1,949,211 and RMB1,211,216 for the years ended December 31, 2025 and 2024, respectively.
- (vi) The Company paid reimbursements on behalf of Bobipai Shanghai for employee cost and raw material procurement in the amount of RMB185,097 for the year ended December 31, 2024.
- (vii) On June 28, 2024, the Company disposed Popeyes China operation to PLK (See Note 2(b)). The remaining consideration receivables related to Popeyes Disposal of RMB4,764,645 as of December 31, 2024 was fully settled in 2025 by netting of amount due to THRI.

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
(Expressed in Renminbi Yuan)

26. Segment reporting

The Company evaluates segment reporting in accordance with FASB Accounting Standards Codification Topic 280.

The Company's chief operating decision maker (CODM) has been identified as the chief executive officer, who reviews segment 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 has determined that before acquisition of Popeyes, the Company operated Tim Hortons only and hence identified one reportable segment; subsequent to acquisition of Popeyes and prior to the disposal, it operated under two reportable segments, namely, Tim Hortons and Popeyes; and after the disposal of Popeyes, one reportable segment, which is Tim Hortons.

The Company defines segment loss before income taxes, the measure of segment profit or loss, as loss before income taxes (computed in accordance with GAAP) excluding income/(loss) from discontinued operations, service expenses incurred at headquarter, share-based compensation, interest income and expenses, foreign currency transaction gain/(loss), loss of debt extinguishment, changes in fair value of Deferred Contingent Consideration, convertible notes, warrant liabilities, ESA derivative liabilities.

The Company didn't include assets information in the segment disclosure since no asset information provided to the CODM.

The following is reconciliation of the Company's consolidated loss from continuing operations before income taxes to reportable segment loss before taxes. No additional reconciliation of reportable segment revenue since no further reconciliation item between the Company's consolidated total revenue and segment revenue.

| | For the year Ended December 31, | | |
|--|--|----------------------|----------------------|
| | 2025 | 2024 | 2023 |
| Loss from continuing operations before income taxes | (435,328,071) | (458,313,989) | (839,632,731) |
| Plus (deduct): | | | |
| Service expenses incurred at headquarter | 28,631,967 | 22,372,238 | 26,739,174 |
| Share-based compensation | 2,829,018 | 1,045,008 | 65,045,401 |
| Interest income | (3,528,064) | (3,202,948) | (14,182,881) |
| Interest expense | 16,679,066 | 22,448,159 | 20,419,992 |
| Foreign currency transaction loss/(gain) | 1,119,173 | (3,484,612) | 16,771,123 |
| Loss of the debt extinguishment | (73,078,104) | 10,657,161 | - |
| Changes in fair value of Deferred Contingent consideration | - | 16,941,248 | 26,106,460 |
| Changes in fair value of convertible notes | (30,626,980) | 65,874,310 | 58,280,908 |
| Changes in fair value of warrant liabilities | - | - | 83,966,126 |
| Changes in fair value of ESA derivative liabilities | - | - | (19,654,006) |
| Segment loss before income taxes | <u>(493,301,995)</u> | <u>(325,663,425)</u> | <u>(576,140,434)</u> |

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
(Expressed in Renminbi Yuan)

27. Subsequent Events

On January 21, 2026, the Company's Board of Directors approved an ESOP exercise price adjustment for share options granted under the Scheme to the lower of US\$2.7822 per share and the original ESOP exercise price.

28. Parent Only Financial Information

The following condensed parent company financial statements has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries. As of December 31, 2025 and 2024, 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, | |
|---|---------------------------|----------------------|
| | 2025 | 2024 |
| | RMB | RMB |
| ASSETS | | |
| Current assets | | |
| Cash | 235,274 | 1,262,397 |
| Investment in and amount due from subsidiaries | - | 51,711,938 |
| Prepaid expenses and other current assets | 1,183,943 | 5,592,243 |
| Total current assets | 1,419,217 | 58,566,578 |
| Non-current assets | | |
| Intangible assets, net | 43,637,133 | 48,222,183 |
| Total non-current assets | 43,637,133 | 48,222,183 |
| Total assets | 45,056,350 | 106,788,761 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Convertible notes, at fair value, current | - | 473,715,560 |
| Other current liabilities | 10,269,459 | 9,115,387 |
| Total current liabilities | 10,269,459 | 482,830,947 |
| Non-current liabilities | | |
| Share of losses in excess of investments in subsidiaries and amount due to subsidiaries | 125,049,372 | - |
| Convertible notes, at fair value, non-current | 1,152,723,200 | 464,847,231 |
| Total non-current liabilities | 1,277,772,572 | 464,847,231 |
| Total liabilities | 1,288,042,031 | 947,678,178 |
| Shareholders' deficit | | |
| Series A-2 Convertible Preferred Share | - | - |
| Class A-1 Special Voting Share | - | - |
| Ordinary shares | 9,733 | 9,733 |
| Additional paid-in capital | 1,821,605,222 | 1,818,421,338 |
| Accumulated losses | (3,102,993,825) | (2,668,505,330) |
| Accumulated other comprehensive income | 38,393,189 | 9,184,842 |
| Treasury shares | - | - |
| Total shareholders' deficit | (1,242,985,681) | (840,889,417) |
| Total liabilities and shareholders' deficit | 45,056,350 | 106,788,761 |

TH INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
(Expressed in Renminbi Yuan)

Condensed Statements of Operations and Comprehensive Loss

| | For the year ended December 31, | | |
|---|--|----------------------|----------------------|
| | 2025 | 2024 | 2023 |
| | RMB | RMB | RMB |
| General and administrative expenses | 24,204,888 | 15,519,779 | 103,314,272 |
| Franchise and royalty expenses | 3,567,500 | 3,558,350 | 3,527,900 |
| Total costs and expenses, net | <u>27,772,388</u> | <u>19,078,129</u> | <u>106,842,172</u> |
| Operating loss | (27,772,388) | (19,078,129) | (106,842,172) |
| Equity in loss of subsidiaries | (303,182,244) | (364,918,487) | (628,343,362) |
| Interest income | - | - | 7,641,583 |
| Interest expense | - | (5,275,901) | - |
| Foreign currency transaction gain/(loss) | 171,221 | (1,003) | (6,944) |
| Loss of debt extinguishment | (73,078,104) | (10,657,161) | - |
| Gain on disposal of Popeyes business | - | 70,664,684 | - |
| Changes in fair value of Deferred Contingent consideration | - | (16,941,248) | (26,106,460) |
| Changes in fair value of convertible notes | (30,626,980) | (65,874,310) | (58,280,908) |
| Changes in fair value of warrant liabilities | - | - | (83,966,126) |
| Changes in fair value of ESA derivative liabilities | - | - | 19,654,006 |
| Loss before income taxes | (434,488,495) | (412,081,555) | (876,250,383) |
| Income tax expenses | - | - | - |
| Net loss | (434,488,495) | (412,081,555) | (876,250,383) |
| Other comprehensive income/(loss) | | | |
| Fair value changes of convertible notes due to instrument-specific credit risk, net of nil income taxes | 2,004,935 | (1,494,507) | (2,116,740) |
| Foreign currency translation adjustment, net of nil income taxes | 21,352,712 | (10,812,516) | 8,741,308 |
| Amounts reclassified from accumulated other comprehensive income | 5,850,700 | - | (5,718,400) |
| Unrealized gain on short-term investments, net of nil income taxes | - | - | 3,584,872 |
| Total comprehensive loss | <u>(405,280,148)</u> | <u>(424,388,578)</u> | <u>(871,759,343)</u> |

Condensed Statements of Cash Flows

| | For the year ended December 31, | | |
|--|--|------------------|------------------|
| | 2025 | 2024 | 2023 |
| | RMB | RMB | RMB |
| Net cash used in operating activities | (1,031,594) | (8,792,718) | (33,401,467) |
| Net cash (used in)/provided by investing activities | (9,352,284) | (180,538,842) | 53,570,674 |
| Net cash provided by/(used in) financing activities | 9,089,950 | 188,239,915 | (46,058,129) |
| Effect of foreign currency exchange rate changes on cash | 266,805 | 34,615 | (1,263,825) |
| Net decrease in cash | (1,027,123) | (1,057,030) | (27,152,747) |
| Cash at beginning of year | 1,262,397 | 2,319,427 | 29,472,174 |
| Cash at end of year | <u>235,274</u> | <u>1,262,397</u> | <u>2,319,427</u> |

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 100,000,000 ordinary shares with a nominal or par value of \$0.0000469793497033866 each and 6,429,740.547038 shares with a nominal or par value of \$0.0000469793497033866 (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.

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.

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) 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 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:

- 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 convert to a limited liability company;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means, in respect of an exempted company, 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 are listed on Nasdaq under the symbol “THCH.”

List of Significant Subsidiaries

| Significant Subsidiaries | Place of Incorporation |
|---|------------------------|
| 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 |
| Bobipai (Shanghai) Catering Management Co., Ltd. | PRC |

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (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 officer 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 30, 2026

By: /s/ Yongchen Lu
Name: Yongchen Lu
Title: Chief Executive Officer

**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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (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 officer 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 30, 2026

By: /s/ Dong Li

Name: Dong Li

Title: Chief Financial Officer

**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 fiscal year ended December 31, 2025 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, as amended; 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 30, 2026

By: /s/ Yongchen Lu
Name: Yongchen Lu
Title: Chief Executive Officer

**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 fiscal year ended December 31, 2025 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, as amended; 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 30, 2026

By: /s/ Dong Li

Name: Dong Li

Title: Chief Financial Officer



KPMG Huazhen LLP
25th Floor, Tower II, Plaza 66
1266 Nanjing West Road
Shanghai 200040
China
Telephone +86 (21) 2212 2888
Fax +86 (21) 6288 1889
Internet kpmg.com/cn

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statement (No. 333-268225) on Form S-8 of our report dated April 30, 2026, with respect to the consolidated financial statements of TH International Limited.

/s/ KPMG Huazhen LLP

Shanghai, China
April 30, 2026