An investment in our Shares involves significant risks. You should carefully consider all of the information in this listing document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this listing document.

RISKS RELATING TO OUR BUSINESS

We incurred net losses during the Track Record Period. Our historical financial and operating results may not be indicative of our future performance.

We recorded net losses of US$33.0 million, US$53.8 million, US$150.8 million and US$55.7 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our revenue amounted to US$233.1 million, US$221.4 million, US$312.4 million and US$245.8 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Due to the impact of the COVID-19 pandemic, our results of operations were adversely affected in 2020, but we recorded a rebound in revenue in 2021 and the first half of 2022, as COVID-19 related restrictions have been gradually alleviated, and we continued to expand our restaurant network. Our future profitability will depend on a variety of factors, including the expansion and performances of our new and existing restaurants, competitive landscape, customer preference and macroeconomic and regulatory environment. Therefore, our historical results and growth may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. As we expand and open new restaurants, our historical financial and operating results may not be indicative of the performance of our new restaurants. See "—We may be unsuccessful in opening and profitably operating new restaurants." Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, government regulations or policies affecting our restaurants and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future performance of our Shares.

We only recently started to recover from the COVID-19 pandemic, which may be an one-off impact and therefore our financial and business performance in the six months ended June 30, 2022 may not be indicative of future performances.

Starting from 2022, the global COVID-19 pandemic has gradually come under control and all of the countries that we currently have operations in, except for Indonesia where restaurants are only allowed to operate to 10 p.m. every day, have lifted all the material COVID-19 related restrictions in relation to restaurant operations. As such, our business and financial performance has improved in the six months ended June 30, 2022. In the first half of 2022, our overall table turnover rate was approximately 3.0 times per day, improving from the overall table turnover rate of 2.4 times per day and 2.1 times per day in 2020 and 2021, respectively. We also recorded a positive restaurant-level operating margin of 1.5% in the six months ended June 30, 2022. However, the easing of the global COVID-19 pandemic may be an one-off impact. For example, the emergence of new variant of COVID-19 may result in countries imposing stricter restrictions in relation to social distancing and dining-in. In such event, our business, financial conditions and results of operations may be adversely affected and our business recovery in the six months ended June 30, 2022 may not be indicative of our future performances.

We have in recent years expanded our restaurant coverage internationally, which leads to increasing risks and uncertainties and our management system may not be effective to address risks and uncertainties in our international restaurant operations.

We have increased the number of our restaurants from 24 as of January 1, 2019 to 38 as of December 31, 2019, 74 as of December 31, 2020 and further to 94 as of December 31, 2021 and 110 as of the Latest Practicable Date. We intend to continue to open new restaurants in new countries or cities with growth potential. Operating in multiple jurisdictions around the world and expanding to new regions may expose us to various risks, which may include, among others:

- failure to anticipate changes to the competitive landscape in the new market due to lack of familiarity with the local business environment;

- different consumer preferences and discretionary spending patterns;

- difficulty in finding reliable suppliers of food ingredients meeting our quality standards at acceptable prices and quantities;

- the infringement of our intellectual property rights in foreign jurisdictions;

- political risks, including civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations, which may lead to interruptions in our business operations and/or loss of property;

- economic, financial and market instability and credit risks;

- material tariffs imposed on our food ingredients imported from other countries;

- challenges in interpreting and difficulties in complying with foreign investment laws and regulations in different jurisdictions. For example, we may still be found non-compliant with foreign investment laws and regulations by the local authorities due to uncertainties in interpretation and enforcement, despite the steps we already take;

- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex local and international laws, treaties and regulations;

- inability to obtain or maintain the requisite registrations, filings, licenses, permits, approvals and certificates in multiple jurisdictions;

- economic sanctions, trade restrictions, discrimination, protectionism or unfavorable policies against Chinese brands;

- difficulties with localized management of employees and operations, including compliance with local labor and immigration laws and regulations;

- exposure to litigation or third-party claims in different jurisdictions;

- foreign currency exchange controls and fluctuations;

- stringent consumer protection and data security requirements in multiple jurisdictions;

- uncertainties in the interpretation and application of tax laws and regulations, more onerous tax obligations and unfavorable tax conditions; and

- cultural differences and language difficulties.

As a result of the above factors, our ability to operate in certain jurisdictions may be restricted, or our restaurants in multiple jurisdictions may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability. We may also be subject to fines and penalties imposed by local governments and our brand image and reputation may be adversely and materially affected.

In addition, our restaurant network covered 11 countries internationally as of June 30, 2022. Our historical growth and continuous expansion are supported by our management philosophy of "aligned interests and disciplined management." However, as we continue to grow and expand, our current management system may not continue to be effective and successful. Even though we are devoted to adapting our management philosophy in different countries based on local conditions, there is no assurance that we will be able to successfully manage our restaurants in all jurisdictions and effectively manage our growth.

We adopt a three-tier management system to achieve scalable growth while maintaining standardization, which gives our restaurant managers significant autonomy in the day-to-day operations of the restaurants they manage. Our headquarters are responsible for functions such as food safety, procurement, growth strategy and our senior regional managers primarily serve as the bridge that connects our headquarters and each restaurant. However, we cannot assure you that our headquarters, senior regional managers and restaurant managers will be able to effectively manage all of our restaurants directly as we grow in business scale. In addition, our current restaurant assessment scheme primarily focused on guest satisfaction and employee contribution and places less emphasis on financial performance of the restaurant, which may not always be effective in assessing the performance of our restaurants in different countries.

There can be no assurance that our management system, as it evolves, will always be able to address our needs at different stages of our growth. Any significant failure or deterioration of our management system could have a material and adverse effect on our business and results of operations.

We face risks related to health epidemics and outbreaks, particularly the COVID-19 outbreak, as well as the instance of any food safety incidents and any food-borne illnesses.

We face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to regional and global economies. In particular, our historical performance has been materially and adversely affected by the COVID-19 pandemic. COVID-19 is a contagious disease that was declared a pandemic by the World Health Organization in March 2020. Soon after the outbreak, several countries announced measures including travel restrictions and social distancing to limit the transmission of COVID-19. The catering service industry was especially affected. Many restaurants were forced to temporarily close or limit hours or number of guests due to lockdown measures implemented by local governments. Since the onset of the COVID-19 outbreak, consumers' willingness to consume and purchasing power have been dampened amidst a general economic downturn.

Widespread COVID-19 outbreaks in various countries throughout 2021 have caused temporary suspension of operations or limited operations in some of our restaurants and adversely impacted our financial positions. In 2020 and 2021, 28 and 82 of our restaurants were temporarily closed for 23 days and 78 days on average due to the lockdown measures imposed by the relevant local governments. For example, our restaurants in Malaysia and Singapore were closed for 147 days and 52 days on average in 2021. In addition, many countries, such as Singapore, imposed restrictions on the maximum number of guests per table from June 2020 to April 2022, resulting in a significant decrease of our guest traffic, lower table turnover rates and a significant decrease in revenue. The COVID-19 pandemic may also have the effect of heightening other risks disclosed in this section, including but not limited to, those related to:

- reduction or volatility in demand for our services, which may be caused by, among other things, restaurant closures or modified operating hours, reduced customer traffic due to illness, quarantine, or government or self-imposed restrictions placed on our restaurants' operations and changes in consumer spending behaviors, such as the continued practice of social distancing, lower consumer confidence in general macroeconomic conditions and a decrease in consumer discretionary spending;

- disruption to our operations or the operations of our business partners, including third-party food processing companies, suppliers, logistics service providers, through the effects of business and facilities closures, reductions in operating hours, social, economic, political or labor instability in affected areas, transportation delays, travel restrictions and changes in operating procedures, including requirements for additional cleaning and safety protocols;

- impact on our business partners' ability to operate or manage increases in their operating costs and other supply chain effects that may have an adverse effect on our ability to meet consumer demand and achieve cost targets; and

- increased volatility or significant disruption of global financial markets as a result of the COVID-19 pandemic, which could have a negative impact on our ability to access capital markets and other funding sources, with acceptable terms.

Since 2022, countries have gradually eased various restrictive measures and business activities in most countries where we operate have largely resumed. As of the Latest Practicable Date, substantially all of our restaurants have reopened. However, the market may not recover quickly or at all, and there remains uncertainty about the future development of COVID-19, which could have a material and adverse effect on our business and results of operations. As a result, we may incur additional impairment charges to our inventory, restaurant and corporate assets, and our ability to realize the benefits from deferred tax assets may become limited, any of which may have a significant or material impact on our financial results. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity of COVID-19, the scope and duration of the restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. An outbreak of any epidemics or pandemics globally, especially in the countries where we have restaurants, may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

As a restaurant brand, the quality and safety of the food we serve in our restaurants is critical to our success and we face risks in relation to instance of food safety incidents. Due to the different geographical locations we operate in and the expansion of our restaurant network, maintaining consistent food quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system, employee trainings to ensure that our employees adhere to those quality control policies and the ability to identify and prevent any potential violation of our quality control system. For details on our quality control system, see "Business—Food Safety and Quality Control." There can be no assurance that our quality control system will always prove to be effective and can identify all the potential risks and issues in relation to food safety arising from our restaurant operations. The quality of the food ingredients or service provided by our suppliers is subject to factors beyond our control, including the effectiveness of their quality control system, among others. There can be no assurance that our suppliers may always be able to adopt appropriate quality controls and meet our stringent quality control requirements. Any significant failure or deterioration of our quality control system may result in food safety incidents, which could have a material and adverse effect on our reputation, financial condition and results of operations.

Furthermore, our business is susceptible to food-borne illnesses. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Our reliance on third-party food suppliers increases the risk of food-borne illness incidents and the risk of multiple locations instead of a single restaurant being affected. Drug resistant illnesses may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall, and our operations could suffer as a result, regardless of whether we were directly involved in the spread of the illness. Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our ingredients and significantly increase our costs, thereby impacting our restaurant sales and conceivably having a material and adverse effect on our results of operations.

We face intense competition in the international catering service industry.

The catering service industry is intensely competitive with respect to, among other things, service, food quality, taste, value, ambiance and location. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally owned Chinese cuisine restaurants and international chains. Many of our competitors are well-established in the markets where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our guests resulting in increased competition.

Any inability to successfully compete with other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and may result in losing market share, which could have a material and adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our restaurant network to evolve our concepts in order to compete with popular new restaurant menu dishes or concepts that develop from time to time. We cannot assure you that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

Our continued success depends on our ability to deliver and maintain our high-quality services and dining experience.

The success of our restaurants revolves primarily around guest satisfaction, which is dependent on the continued popularity of the "Haidilao (海底撈)" brand and lies in our ability to provide a great dining experience. As we continue to grow in size, extend our geographic reach and expand our food offerings and services, maintaining food and services quality and consistency may become more difficult and we cannot assure you that customer confidence in our brand will not diminish. There is no assurance that we will be able to continue to provide high-quality services and an enjoyable dining experience to our customers. If consumers perceive or experience a deterioration in food quality, service, ambience or value for money or believe in any way that we are failing to deliver a consistently enjoyable dining experience, our brand value could suffer and the number of customers visiting our restaurants may decline, which could have a material and adverse impact on our business. The quality of our dining experience may be adversely impacted by a number of factors, including, among others:

- long waiting time;
- decline in the quality of service provided by our staff;
- inability to pioneer and introduce new menu items that gain popularity among guests;
- inability to meet the localized needs of our guests and adapt to changes in consumer tastes and preferences;
- decline in food quality, or the perception of such decline amongst guests;
- any significant liability claims or food contamination complaints from our guests;
- inability to offer quality food at affordable prices;
- decrease in the attractiveness or quality of design of our restaurants; and
- low quality of delivery service.

We cannot guarantee that our dining experience will continue to be of high quality and favored by guests, nor that our existing and new restaurants will continue to be successful.

We may fail to maintain or enhance brand recognition or reputation.

We believe that maintaining and enhancing our brand is important to maintain our competitive advantages in the international catering service industry. However, our ability to maintain our brand recognition depends on a number of factors, some of which are beyond our control. We may face negative publicity, customer disputes, unauthorized use of the "Haidilao (海底捞)" brand, all of which may tarnish the appeal and reputation of our brand. In particular, the "(海底捞)" brand is also used by Haidilao International. Our brand image and reputation may be adversely affected by negative publicity or customer disputes of Haidilao International, which are out of our control. Moreover, our continued success in maintaining and enhancing our brand and image depends to a large extent on our ability to maintain our distinctive combination of our services, and our localized and high-quality food ingredients at affordable prices, as well as our flexibility to adapt to any changes in the competitive landscape in the hot pot industry. If we are unable to do so, the value of our brand or image will be diminished and our business and results of operations may be materially and adversely affected. As we continue to extend our geographic reach and grow in size, maintaining quality and consistency may be more difficult and we cannot assure you that guests' confidence in our brand will not be diminished.

We may be unsuccessful in opening and profitably operating new restaurants.

We may face intense competition when expanding geographically within existing markets or entering into countries or cities where we have little or no experience operating. We plan to increase our penetration in geographical locations where we have existing restaurants as our growth strategy. We cannot assure you that these new restaurants will not cannibalize the business of our existing restaurants, in which case our business, financial conditions and results of operations may be materially and adversely affected.

In addition, we plan to open new restaurants in markets where we have little or no operating experience, such as the United Arab Emirates, Germany, the Philippines and Spain. We may fail to anticipate market changes in these locations, or encounter delays in obtaining licenses from local authorities when opening new restaurants. These markets may have different competitive conditions, consumer preferences and spending patterns from our existing markets. As a result, any new restaurants we open in those markets may be less successful than restaurants in our existing markets. Consumers in the new markets, particularly those with smaller Asian communities, may not be familiar with our brand and we may need to build brand awareness in the relevant markets through greater investments in promotional and marketing activities than we originally planned. Sales at the restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability. Further, it may be difficult for us to hire, train and retain qualified employees with a certain level of language skill. Restaurants opened in new markets may also have higher decoration, occupancy or operating costs than restaurants in existing markets.

There is no assurance that we will be able to open new restaurants, either in the existing markets or in new countries or cities. Delays or failures in opening new restaurants could materially and adversely affect our growth and financial and operating results. If new restaurants are opened, they may be less profitable than our existing restaurants due to any decrease in average sales or average spending per customer and/or any increase in construction, occupancy or operating costs.

We have recognized, and may continue to recognize impairment losses for property, plant and equipment and right-of-use assets.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we recognized impairment losses in respect of property, plant and equipment and right-of-use assets of nil, US$5.7 million, US$63.1 million and US$9.1 million, respectively, due to the uncertain future prospects of certain restaurants at the end of each year/period during the Track Record Period, taking into account the COVID-19 pandemic. For details, see Note 16 to the Accountants' Report set forth in Appendix I.

We may continue to recognize impairment losses for property, plant and equipment and right-of-use assets in the future as we are actively expanding our restaurant network and the performance of certain restaurants may not meet our expectation. If we continue to recognize impairment losses for property, plant and equipment and right-of-use assets, our financial condition and results of operations may be materially and adversely affected.

We have received certain government subsidies and rent concessions during the Track Record Period.

In 2020, 2021 and the six months ended June 30, 2022, COVID-19 related government subsidies in the amount of US$7.7 million, US$16.6 million and US$2.1 million, respectively and COVID-19 related rent concessions in the amount of US$4.2 million, US$2.6 million and US$0.9 million, respectively, were granted to our Group. As the COVID-19 pandemic has gradually came under control, we cannot guarantee that we can continue to receive such government subsidies and rent concessions in the future. In such event, our results of operations and financial conditions may be adversely affected.

We have expanded, and are planning to continue to expand, our restaurant network, which may increase risks and uncertainties.

We have increased the number of our restaurants from 38 as of December 31, 2019 to 74 as of December 31, 2020, and to 94 as of December 31, 2021, and further increased to 103 as of June 30, 2022. As of the Latest Practicable Date, we owned and operated 110 restaurants in 11 countries. We plan to continue to expand our restaurant geographical coverage and increase our restaurant penetration rate internationally. Our expansion may cause a deterioration in our corporate culture and restaurant quality, which may adversely affect our brand reputation.

Our future growth significantly relies on our ability to open and profitably operate new restaurants. It is challenging for us to continue our expansion while ensuring a localized and consistent high-quality of our food and services. As such, we are exposed to the resulting risks in the following areas:

- *An increase in labor costs or labor reserve.* The catering service market is labor-intensive. To achieve continuous expansion and ensure consistent high-quality of customer service, we need sufficient human resources. There is no assurance that we will be able to attract, retain and develop sufficient qualified employees, including restaurant staff, in management, administration, marketing and providing services for our new restaurants in different geographical location. In particular, we may not be able to attract or develop employees with required language skills in different geographical location. Further, we may incur considerable labor costs in order to retain sufficient labor resources.

- *Significant pre-opening costs and capital expenditures.* Opening new restaurants incurs significant pre-opening costs and capital expenditures. Pre-opening costs, which mainly consist of staff salaries, consulting services fees, staff relocation expenses, rent and miscellaneous administrative expenses prior to the opening of a restaurant, are incurred before the restaurant begins to generate revenue. Our financial conditions and results of operations may be materially and adversely affected by these pre-opening costs and capital expenditures we incurred.

- *Risks in ingredients supply.* Our high-quality dining experience depends significantly on the quality of our food ingredients. Any disruption or damages to our ingredients supply chains could place us at a disadvantaged position. It may take a longer period to set up sound ingredients supply chains for our new restaurants in different geographical location, and we may fail to maintain or upgrade supply chains in a timely and effective manner.

- *Intense competition and failure to anticipate market changes.* We may face intense competition when expanding geographically within existing markets or entering into new markets where we have no experience operating in, including United Arab Emirates, Germany, the Philippines and Spain. Moreover, we may fail to anticipate market changes in these locations.

- *Failure to consolidate our market position.* As our current expansion plan involves some uncertainties, we cannot assure you that we will be able to assemble high-quality, affordable ingredients, to replicate our services, and to ensure that all of our employees are in compliance, in particular in compliance with the laws and regulations in respect of food safety in multiple jurisdictions. As a result, we may fail to consolidate our market position.

We may not be able to achieve, maintain and increase the sales and profitability of our existing restaurants.

The sales and profitability of existing restaurants will also affect our sales growth and will continue to be a critical factor affecting our revenue and profit. Our ability to increase sales and profitability of existing restaurants depend in part on our ability to successfully implement our initiatives to increase customer traffic, table turnover rate and spending per guest. Examples of these initiatives include offering innovative localized dishes and soup bases, enhancing cultural-oriented dining experience, upgrading customer loyalty program and adjusting prices of our dishes. There can be no assurance that we will be able to achieve our targeted sales growth and profitability for our existing restaurants. If we are unable to achieve our targeted sales and profitability in our existing markets, our business, financial condition and results of operations may be materially and adversely affected.

To minimize the negative impact of existing restaurants with weaker performance, we may decide to close the restaurants after careful internal assessment. During the Track Record Period, we have permanently closed three restaurants. For details, see "Business—Our Haidilao Restaurant Business—Restaurant Network." We may decide to close more existing restaurants with unsatisfactory sales growth or profitability based on our continuous assessment. The closure of restaurants may have a material and adverse impact on our business, financial conditions and results of operations.

Opening new restaurants in existing markets may adversely affect sales at our existing restaurants.

As part of our business strategy, we intend to continue to expand our restaurant network. Certain of new restaurants we plan to open will be located in cities or countries where we have existing restaurants, such as Singapore, Malaysia and Canada. We cannot guarantee that our new restaurants can gain popularity or become profitable. See "—We may not be able to achieve, maintain and increase the sales and profitability of our existing restaurants." In particular, the opening of these new restaurants may cannibalize the business of our existing restaurant in the same city/region. In such event, our business, financial conditions and results of operations may be materially and adversely affected.

Interruptions, delays or failure in providing our food delivery services may have a material and adverse effect on us.

In addition to dine-in services in our restaurants, we offer food delivery services in certain restaurants. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, 0.1%, 4.6%, 3.8% and 1.7% of our total revenue were generated from the food delivery business, respectively. We primarily engage local third-party food delivery service companies to deliver our food and we have less control over their services and quality control measures. As the food provider, we may be held liable for complaints and/or compensation related to orders made through these platforms, even if through no fault of ours.

Interruptions, delays or failures in providing our delivery services, whether or not at our fault, may materially and adversely impact the experience of our customers and, further, damage our reputation and business. These interruptions may be caused by unforeseen events that are beyond our control or the control of the food delivery services platforms, such as inclement weather, natural disasters, transportation disruptions, and labor unrest. In addition, food safety or product quality issues may occur when food delivery services are performed by third-party platforms. Any such incidents may result in the return of our food or complaints and, further, harm the reputation of our overall business image.

Any shortage or interruption in supply could slow our growth and reduce our profitability.

One, one, two and two of our five largest suppliers in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, were our connected persons. For the same periods, purchases from our five largest suppliers amounted to US$18.2 million, US$22.0 million, US$28.4 million and US$19.3 million, accounting for 8.2%, 8.5%, 10.1% and 11.0% of our total purchases, respectively. For example, Yihai Group was one of our primary supplier of soup bases. For details, see "Business" and "Continuing Connected Transactions." We cannot guarantee that our major suppliers, including Yihai, will not breach their contractual obligation to us or that these parties will have the capacity to meet our needs as we expand, or maintain the same level of quality in their products and services. We may not be able to find alternative providers if these parties are no longer able to meet our needs at acceptable costs and in a timely manner.

We maintain a relatively broad supplier network as we only adopt centralized procurement in markets where we have larger presence. During the Track Record Period, we procured food ingredients from over 150 qualified suppliers worldwide. During the Track Record Period, we did not experience any incidents of interruption or delay in our supply chain or failure to secure sufficient quantities of food ingredients from our suppliers, including those from our connected person that had a material and adverse effect on us. We may incur higher costs in managing such a broad supplier network. While we maintain good business relationships with these parties, we cannot assure you that these suppliers will not breach their contractual obligations to us, or that our agreements will not be suspended, terminated or otherwise expired without renewal. The operations of these parties may be subject to any natural disasters or other unanticipated catastrophic events, including adverse weather, natural disasters, fires, technical or mechanical difficulty, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics could cause a delay or suspension of operations of these parties, which may affect the quality of their products and services, cause interruptions in our operations. In such event, our business, financial conditions and results of operations may be materially and adversely affected.

We are subject to the risks associated with leasing premises for our restaurants.

We lease the premises for all of our restaurants. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had lease liabilities of US$124.1 million, US$235.9 million, US$243.2 million and US$212.8 million, respectively. Our property rent costs may increase our vulnerability to adverse economic conditions, limit our ability to obtain additional financing and reduce our cash for other purposes. Our property rent costs may further increase in line with our restaurant network expansion.

We normally negotiate with the landlords to renew our leases upon their expiration. If we are unable to renew the leases, we may have to close or relocate the restaurant. We may not be able to identify suitable premises at commercially reasonable prices and we may incur significant relocation and decoration costs in relation to the new premises we lease. In addition, the revenue and profit generated from this restaurant may be adversely affected. Even though we are able to renew the lease agreements, we cannot assure you that we will be able to renew without substantial additional costs or increase in rental cost. If a lease agreement is renewed at a rent substantially higher than the historical rate, or any historical favorable terms granted by the lessor to us are not extended, our business and results of operations may be materially and adversely affected. As a result, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially reasonable terms could have a material and adverse effect on our business, financial condition and results of operations.

We are also subject to risks generally associated with property rental market. These risks mainly include, changes of prevailing market rental rates, relocation of business districts or communities, supply or demand for the products of our restaurants and potential liability for environmental contamination. In addition, we are also subject to risks in relation to potential title defects of the premises we lease, which sometimes are beyond our control. For information regarding our leased properties, see "Business—Properties."

We may experience liability claims or complaints from our guests, or adverse publicity involving our products, our service or our restaurants.

Being in the catering service industry, we face an inherent risk of food contamination and liability claims. Our food quality substantially depends on the quality of the food ingredients provided by our suppliers and we may not be able to detect all defects in those supplies. We have implemented comprehensive food safety measures and inspection procedures for key stages in our supply chain, and we conduct periodic and spot inspections of the participants in our supply chain (i.e. suppliers, food processing service providers, and inventory and logistics providers) and of our restaurants. However, as we expand our business scale, we cannot assure you that these counterparties or our restaurant employees will adhere to our internal procedures and requirements at all times. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations or other failure to observe our requirements, could adversely affect the quality of the food served in our restaurants, which could lead to liability claims, complaints, or related adverse publicity and could result in the imposition of penalties by competent authorities or compensation awarded by courts against us.

During the Track Record Period, we received an insignificant number of guest complaints, considering the scale of our business and guest traffic. Most of the guest complaints we received were related to the taste and style of a particular dish, and the service quality of our staff. Some related to scalding and other accidents occurred in the dining process. We take these complaints seriously and endeavor to reduce such complaints by implementing various remedial measures. Nevertheless, we cannot assure you that we can successfully prevent all guest complaints of similar nature.

Any complaints or claims against us, even if meritless and unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Guests may lose confidence in us and our brand, which may adversely affect the business of our restaurants, resulting in declines in our revenue and even losses. Furthermore, negative publicity, including but not limited to negative online reviews on social media and restaurant review platforms, and media reports or industry findings related to food quality, safety, public health concerns, illness, injury or governmental investigations, whether or not accurate, and whether or not concerning our restaurants, can adversely affect our business, results of operations and reputation.

We may not be able to retain or secure key members of our core management team or other key personnel including our senior regional managers for our operations.

Our future success depends on the continued services and efforts of our core management team, including Mr. Zhou Zhaocheng (周兆呈), our Executive Director, chairman of the Board and chief executive officer, Mr. Wang Jinping (王金平), our Executive Director and chief operating officer, and Ms. Liu Li (劉麗), our Executive Director and product director. Losing the services of our core management team and key personnel with industry experience and know-how in areas such as restaurant operations, financial, accounting and risk management, could have a material and adverse effect on our ability to sustain and grow our business. We need to continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality and atmosphere of our restaurants and meet our expansion plans.

Competition for experienced management and operating personnel in the restaurant industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our core management team and key personnel or attract and retain high-quality core management team or key personnel in the future. We invest significant amounts of time and effort to cultivate qualified restaurant managers and other key personnel. During the Track Record Period, substantially all of our restaurant managers were promoted internally within the organization from the most junior ranking positions. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our core management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result, which may have a material and adverse effect on our business and results of operations.

Our business is affected by changes in consumer taste and dining preferences in various geographical markets, and we may not be able to develop new dishes and adapt to evolving customer preferences and address these changes in a timely manner, or at all.

The catering industry is affected by consumer taste and dining preferences. We are committed to regularly updating our menu and introducing innovative and localized dishes from time to time to adapt to dining trends in different geographical locations, shifts in consumer taste and nutritional trends. We also seek to provide customized soup bases to provide personalized soup base flavors for each guest. However, we cannot assure you that hot pot is always preferred by guests among all cuisine styles, particularly in a market with smaller Asian communities. In addition, consumer tastes and preferences are constantly changing and our failure to anticipate, identify, interpret and react to these changes could lead to reduced guest traffic and demand for our restaurants. We cannot assure you that our hot pot will continue to be preferred by consumers, or that we will be able to adapt to local taste and preferences as we expand into new markets.

In addition, if prevailing health or dietary preferences and perceptions cause consumers to avoid our products in favor of alternative foods, our business could suffer. Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that we will be able to launch new dishes that effectively respond to consumer preferences or result in increased profits. If we are unable to respond to changes in consumer taste and preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to retain existing guests or attract new guests, our financial condition and business operations may be materially and adversely affected.

During the Track Record Period, we have served over 34 million guests. In 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, the revenue generated from restaurant operations amounted to US$232.5 million, US$209.3 million, US$296.1 million, US$127.1 million and US$239.8 million, respectively. Our success is largely dependent upon our ability to retain and expand our guest base. There is no guarantee that the number of guests would not decline and our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Our ability to attract and retain guests could be negatively affected in the following events:

- decline in the quality of service;

- failure to introduce new services or dishes that gain popularity amongst guests;

- inability to meet the needs of our guests and changes in consumer tastes or preferences;

- inability to continually upgrade our technology system; and

- inability to present customized information that is useful and relevant to our guests.

We cannot guarantee that we will be able to retain our existing customers or attract new customers, and our financial condition and business operations may be materially and adversely affected.

We may be unable to receive compensation from suppliers for contaminated ingredients used in our dishes and indemnity provisions in our supply contracts may be insufficient.

In the event that we become subject to food safety claims caused by contaminated or otherwise defective ingredients or raw materials from our suppliers, we may attempt to seek compensation from the relevant suppliers. However, indemnities provided by suppliers may be limited and the claims against suppliers may be subject to certain conditions precedent which may not be satisfied. Further, our supply contracts usually do not have provisions to cover lost profits and indirect or consequential losses. If no claim can be asserted against a supplier or amounts that we claim cannot be recovered from the supplier, to the extent that our insurance coverage is insufficient, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to adequately manage our inventory.

As a restaurant operator, our raw materials mainly include food ingredients that have limited shelf lives. For instance, our hand-cut lamb typically has a shelf life of three days. The shorter the shelf life and the longer we hold such inventories, the higher our risk of inventory obsolescence is. We monitor our inventory levels at each restaurant through a just-in-time inventory management system. However, consumption of our food ingredients is subject to various factors beyond our control, including fluctuations in guest traffic, and in the long term, changes in consumer taste and dining preferences. We cannot guarantee that our inventory levels will be able to meet the demands of guests, which may adversely affect our sales. We also cannot guarantee that all of our food inventory can be consumed within its shelf life. Excess inventory may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs, which could have a material and adverse effect on our business, financial condition and results of operations.

Sites of our existing restaurants may become unattractive, and our new restaurants may not be able to obtain quality sites at commercially reasonable prices, if at all.

We consider geographical location to be critical in the success of our restaurants and we thus carefully evaluate our restaurant sites. See "Business—Expansion Plan, Site Selection and Development—Expansion Management—Site Selection." There can be no assurance that the sites of our existing restaurants will continue to be attractive as the areas in which they are located may deteriorate or otherwise change in the future, resulting in reduced sales at these sites. For example, construction or renovation works at the local areas or activities centers where our restaurants are located may adversely affect the accessibility of our relevant restaurant sites, which in turn may result in a decrease in the pedestrian or vehicle flow and ultimately the guest traffic at our relevant restaurants.

We compete with other retailers and restaurants for quality sites in the highly competitive market. Some of our competitors may have the ability to negotiate more favorable lease terms than we can, and some lessors and developers may offer priority or grant exclusivity to some of our competitors for desirable locations. If we cannot obtain desirable restaurant locations at commercially reasonable prices and terms, our ability to implement our growth strategy will be adversely affected.

Our information technology systems are subject to risks.

Our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. Any significant failure of our information technology systems, or loss or leakage of confidential information could have a material and adverse effect on our business and result in transaction errors, processing inefficiencies and loss of sales and guests. Any security breach caused by hackings to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, or any intentional or inadvertent transmission of computer viruses and similar events or third-party actions could have a material and adverse effect on our business. We also receive and maintain certain personal information about our guests through our customer loyalty programs, as well as by making credit or debit cards sales, which may be breached due to the actions of outside parties, employee error, malfeasance, or a combination of these or otherwise. If any actual or perceived breach of our security occurs, our guests' confidence in the effectiveness of our security measures could be harmed and we may lose guests and suffer financial losses due to such events or in connection with remediation efforts, investigation costs and system protection measures, any of which could harm our reputation and materially and adversely affect our business and results of operations.

The improper collection, transfer, use or disclosure of data could harm our reputation and have a material adverse effect on our financial condition and results of operations.

Our business collects, transfers and processes certain personal and business data. We face risks inherent to the collection, transfer, use and disclosure of data, especially personal data. In particular, we face a number of challenges relating to data security and privacy, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or business partners;

- addressing concerns, challenges, negative publicity and litigation related to data security and privacy, collection, transfer, use and actual or perceived sharing, safety, security and other factors;

- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personal data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

Data protection and privacy laws, regulations and standards are constantly being reviewed and updated to ensure that the standard of protection afforded is kept abreast with technological developments and advancements in this digital era. For example, in Singapore, the Personal Data Protection Act 2012 governs the collection, use and disclosure of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need for organisations to collect, use or disclose personal data for purposes that a reasonable person would consider appropriate in particular circumstances. To this end, the Personal Data Protection (Amendment) Act 2020 took a general shift away from consent-centricity and sought to provide individuals with greater autonomy to control their personal data. Other amendments also included updating rules relating to digital marketing (to cover new communications platforms and applications) and introducing new provisions such as mandatory data breach notifications and offences relating to egregious mishandling of personal data, which have already come into effect since 1 February 2021. The increased financial penalties for data breaches by organisations introduced in this amendment is also set to take effect sometime from 1 October 2022. In lieu of the above, it is thus essential that our internal data protection policy, training materials and guidelines are similarly reviewed and updated in a timely manner to ensure that they remain in compliance and meet the standards required under the relevant data protection rules and regulations.

Any failure, breach or lapse of our data policies may expose us to liability and/or regulatory actions, and may attract negative publicity from media outlets, privacy advocates, our competitors or others, resulting in a material adverse effect on our financial condition and results of operations.

Our insurance policies may not cover the risks relating to our business and operations.

Currently, we maintain insurance policies that we believe are customary for businesses of our size and type and in line with the industry practice. We do not maintain insurance policies against all risks associated with the catering industry, either because we believe it is commercially unfeasible to do so, or the risk is minimal, or because the insurers have carved certain risks out of their standard policies. These risks include, without limitation, events such as the loss of business arising from increased competition and loss of reputation, among others. If an incident occurs, in relation to which we have inadequate insurance coverage, our business, financial position and operating results could be materially and adversely affected.

We may not be able to adequately protect our proprietary know-how or intellectual property, including our recipes, which, in turn, could harm the value of our brand and adversely affect our business.

Our proprietary know-how, recipes, trade secrets and other intellectual property, including our names and logos are important to our business. We use confidentiality and non-compete agreements with key management and operating personnel and other parties that may have access to our proprietary know-how, recipes and trade secrets. We also take other precautionary measures to protect our intellectual properties. However, we cannot assure you that these measures are adequate and effective in preventing others from independently developing or otherwise obtaining access to our proprietary know-how, recipes and trade secrets. As a result, the appeal of our restaurants could be reduced and our business and results of operations could be adversely affected.

We cannot assure you that we can prevent third-parties from infringing upon our intellectual property rights. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which could be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome, materially and adversely affecting our business, financial conditions and results of operations.

On the other hand, we may face claims of infringement that could interfere with the use of our proprietary know-how, recipes or trade secrets. Defending against such claims may be costly and, if we are unsuccessful, we may be prohibited from continuing to use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information, any of which could negatively affect our sales, profitability and prospects.

In addition, certain of our intellectual properties are licensed from Sichuan Haidilao. For details, see "Continuing Connected Transactions—Exempt Continuing Connected Transactions—Trademark License Agreement." We cannot guarantee that Sichuan Haidilao will not breach the trademark license agreement, due to the changes in the factors beyond our control, including local laws or government regulations or that the trademark license agreement will not be terminated for other reasons. We believe that our brand and trademarks are important to our business. If a third-party successfully challenges Sichuan Haidilao' ownership of, or our right to use, the "Haidilao (海底捞)" and related trademarks, our business, financial conditions and results of operations will be materially and adversely affected.

We may fail to be in compliance with regulatory requirements or obtain related licenses required by relevant authorities.

In accordance with the relevant laws and regulations in jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits to operate our restaurant business, including food operation license, environmental protection assessment, fire safety verification and fire safety inspection. These approvals, licenses and permits are obtained upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection, fire safety and liquor licensing laws and regulations.

Going forward, if we fail to obtain all of the necessary licenses, permits and approvals, we may be subject to fines, confiscation of the gains derived from the related restaurants or the suspension of operations of the restaurants, which could materially and adversely affect our business and results of operations. We may also experience adverse publicity arising from such non-compliance with government regulations that negatively impacts our brand. We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. If we fail to obtain the material licenses, our restaurant opening and expansion plan may be delayed. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us, our ongoing business could be interrupted and we may also be subject to fines and penalties. In such event, our business, reputation and prospects will be materially and adversely affected.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, suppliers or other third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees, suppliers or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. In particular, being in the restaurant business, we usually receive and handle relatively large amounts of cash in our daily operations. We implement internal procedures and policies to monitor our operations and ensure overall compliance, specifically in relation to employee conduct and cash management. See "Business—Settlement and Cash Management" for details. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees, suppliers and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in the future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material and adverse effect on our business and results of operations.

Macroeconomic factors may have a material and adverse effect on our business, financial conditions and results of operations.

The catering industry is affected by macroeconomic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, our restaurants are located in multiple jurisdictions and accordingly, our results of operations are affected by the global macroeconomic conditions. Any deterioration of the global economy, decrease in disposable consumer income, fear of a recession and decrease in consumer confidence may lead to a reduction of guest traffic and average spending per guest at our restaurants, which could materially and adversely affect our business, financial conditions and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the countries where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. In such events, our restaurants may be forced to close or relocate. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the countries where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

We cannot guarantee that we will not be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, food safety and quality incidents, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. For details related to our liabilities in relation to food safety, see "—We may experience liability claims or complaints from guests, or adverse publicity involving our products, our service or our restaurants." As of the Latest Practicable Date, we were not involved in any litigations or legal proceedings that may materially affect our business and results of operations. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be caused by defective supplies sold to us by our suppliers, who may not be able to indemnify us in full and in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Taxation authorities could challenge our allocation of taxable income which could increase our consolidated tax liability.

Our international operations involve certain intra-group transactions and cross border business arrangements during the ordinary course of business, which may impose inherent uncertainty over our Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to interpretation by respective tax authorities in different countries. Although during the Track Record Period, we did not identify transfer pricing risks in the intra-group transactions of us, there is no assurance that relevant tax authorities would not challenge the appropriateness of our transfer pricing arrangement in the future or that the relevant regulations or standards governing such arrangement will not be subject to future changes. In the event a competent tax authority later finds that the transfer prices and the terms that we have applied are not appropriate, such authority could require our relevant subsidiaries to re-determine transfer prices and thereby reallocate the income or adjust the taxable income or deduct costs and expenses of the relevant subsidiary in order to accurately reflect such income. Any such reallocation or adjustment could result in a higher overall tax liability for us and if this occurs, it may have a material and adverse effect on our business, financial condition and results of operations.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, any discrimination or riot action against China-originated company, could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we conduct activities, including the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act 2010, and other anti-corruption laws and regulations. The FCPA and the U.K. Bribery Act 2010 prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing or providing anything of value to a "foreign official" for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. The U.K. Bribery Act also prohibits non-governmental "commercial" bribery and soliciting or accepting bribes. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation.

Our restaurant operations in various countries may subject us to cultural and language difficulties.

As of the Latest Practicable Date, we operated over 11 countries and all of our restaurants are operated outside of China. We have made, and expect to continue to make, significant investments to expand our international operations and compete with local competitors.

Conducting our business internationally, particularly in countries in which we have limited experience, subjects us to risks that we do not face to the same degree in other jurisdictions. In particular, we are subject to operational and compliance challenges caused by distance, language, and cultural differences. Further, we are subject to resources that are required to localize our business, which requires qualified employees with certain level of language skills, the translation of our website into foreign languages and the adaptation of our operations to local practices, laws, and regulations. We are also facing different levels of social acceptance of our brand, products, and offerings. These cultural and language risks could adversely affect our international operations, which could in turn adversely affect our business, financial condition, and operating results.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

We face risks of shortfalls in liquidity as we had significant net current liabilities and net liabilities as of December 31, 2019, 2020 and 2021.

We had net current liabilities of US$168.5 million, US$324.1 million and US$389.9 million as of December 31, 2019, 2020 and 2021 respectively. For details, see "Financial Information—Current Assets and Current Liabilities." As of December 31, 2019, 2020 and 2021, we had net liabilities of US$10.7 million, US$67.0 million and US$187.2 million, respectively. Our net liabilities and net current liabilities were primarily due to the loans we obtained from Haidilao International Group to support our business expansion. A majority of the loans we obtained from Haidilao International Group in the amount of US$471.3 million were settled by issuing equity to Newpai, a wholly-owned subsidiary of Haidilao International, in June 2022. As of June 30, 2022, we had net current assets of US$40.8 million and net assets of US$233.9 million.

A net current liability position can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests, or to seek debt financing, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects. Going forward, we cannot guarantee that we will not have a net current liabilities position, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary approvals from competent government authorities, investors' confidence in us, the performance of the restaurant industry, and our operating and financial performance. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected. In the event that we continue to have net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow, obtain bank loans or facilities, or obtain additional financing to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

We may need to obtain substantial financing for our operations. If we fail to obtain sufficient funding, our growth may be adversely affected.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our net cash generated from operating activities amounted to US$16.5 million, US$2.8 million, US$4.4 million and US$30.4 million, respectively. We cannot assure you that we will be able to continue generating positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. The cost of continuing operations could reduce our cash position, and any increase in our net cash outflow from operating activities could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and to fund our business expansion.

During the Track Record Period, we primarily funded our operations, expansion and capital expenditures through cash generated from our operations and borrowings from our related parties. As our business scale grows, we may require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. The incurrence of indebtedness would result in increased debt service obligations and finance costs and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our operations are susceptible to increases in our purchase costs of food ingredients and labor costs, which could adversely affect our margins and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of food ingredients. Food ingredient costs accounted for 26.9%, 26.4%, 29.6% and 31.0% of our revenues for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. We primarily rely on certain connected persons and local suppliers in the jurisdictions we operated to supply soup based, fresh produce, aquatic food, including seafood and freshwater fish and shrimp, poultry and other ingredients. Increases in distribution costs or sale prices or failure to perform by our suppliers could cause our food costs to increase. We may be unwilling or unable to pass these cost increases onto our guests, and our operating margins may decrease as a result.

The type, variety, quality and price of food supplies are volatile and subject to factors beyond our control, including seasonal shifts, climate conditions, natural disasters, local regulations and availability, each of which may affect our food costs or cause a disruption in our supply. We are also subject to inflation pressure in the international market, which may also result in an increase in our purchase costs. Our suppliers may also be affected by higher costs to produce and transport commodities used in our restaurants, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. Although we are able to contract for some of the food ingredients used in our restaurants for periods of up to one year, the pricing and availability of some of the food ingredients used in our operations cannot be locked in for periods of longer than one month or at all. We currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in food costs. We may not be able to anticipate and react to changes in food costs through our purchasing practices and menu price adjustments in the future, and failure to do so could materially and adversely affect our business and results of operations.

Labor costs and the long-term trend of higher wages may also lead to declines in our margins and operating results. The catering service industry is labor intensive. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our staff costs, accounted for 48.1%, 45.4%, 45.9% and 36.8% of our revenue. Since our staff costs accounted for a significant portion of our cost of sales, we believe that controlling and reducing our labor costs is crucial for us to maintain and improve our profit margins as well as other operating costs.

We face pressure from rising labor costs due to various factors, including but not limited to:

- *Higher minimum wages*. The minimum wage in certain jurisdictions where we operate may continue to increase, which has a direct impact on our labor costs; and

- *Increase in headcount*. As we expand our operations, the headcount of our employees may increase. We may also need to retain and continuously recruit qualified employees to meet our growing demand for talent, which might further increase our total headcount. Any increases in headcount would also increase our costs in relation to, among other things, recruiting, salaries, training and employee benefits.

We cannot assure you that we will be able to control our labor costs or improve our efficiency. Any failure in effectively controlling our labor costs may have a material and adverse impact on our business, financial position and results of operations.

Share-based compensation expenses may cause shareholding dilution to our existing Shareholders and potentially have a material and adverse effect on our financial performance.

Our Company has adopted the Share Award Scheme to grant share awards to provide incentives or rewards to eligible participants for their contribution to our Group. For details, see "History, Reorganization and Corporate Structure – Share Award Scheme." The adoption of the Share Award Compensation may result us to incur share-based compensation expenses in the future. To further incentivize our employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based compensation may also have a material and adverse effect on our financial performance.

Fair value changes for our financial assets at fair value through profit or loss may adversely affect our financial condition and results of operations and subject to valuation uncertainty due to the use of unobservable inputs.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our financial assets at fair value through profit or loss amounted to nil, nil, US$36.1 million and US$0.3 million, respectively. Our financial assets are measured at fair value, and the changes in their fair values are recorded under other gains or losses in the consolidated statements of profit or loss, which will directly affect our profit and results of operations. These financial products were short term and non-principal protected investments with no predetermined or guaranteed return. According to the accounting policies applicable to us, financial assets at fair value through profit or loss are measured at fair value primarily using market-observable inputs including quoted prices in active markets for identical assets and where such inputs are not available, unobservable inputs such as expected volatility, discount for lack of marketability, expected rate of return and discount rate. During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to unobservable inputs to the price of the underlying investments using an asset based approach and is classified as a Level 3 fair value measurement. Changes in fair value are recognized in profit or loss and such treatment of gain or loss may cause volatility in or adversely affect our year-to-year/period-to-period earnings, financial condition and results of operations. Given the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

We may not be able to collect all of our trade and other receivables thus being exposed to credit risk.

Our trade and other receivables primarily receivables from credit card networks, food delivery platforms and payment platforms, as well as interest receivable and others. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our trade and other receivables exposed to credit risk were comprised of trade receivables, interest receivable and others as listed in

Note 22 to "Appendix I – Accountants' Report" to this listing document with the amounts of US$4.9 million, US$6.6 million, US$9.6 million and US$6.5 million, respectively. At the end of each year or period during the Track Record Period, we assess whether the credit risk of a financial instrument has increased significantly since its initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and consider reasonable and supportive forward-looking information. We cannot assure you that we will be able to collect our trade and other receivables in full, or at all, in the future, despite our efforts to conduct credit assessment on them.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations.

Because we conduct a significant and growing portion of our business in currencies other than the US dollars but report our consolidated financial results in US dollars, we face exposure to fluctuations in currency exchange rates. In 2019 and 2020, we recorded US$1.3 million and US$7.3 million net foreign exchange gain, respectively. In 2021 and the six months ended June 30, 2022, we recorded US$13.2 million and US$27.6 million net foreign exchange loss, respectively. For details, please see Note 8 to "Appendix I—Accountants' Report" to this listing document. As exchange rates vary, revenue, cost of raw materials and consumables, exclusive of depreciation and amortization, operating expenses, other income and expense, and assets and liabilities, when translated, may also vary materially and thus affect our overall financial results. We had not as of the Latest Practicable Date, but may in the future, enter into hedging arrangements to manage foreign currency translation, but such activity may not completely eliminate fluctuations in our operating results due to currency exchange rate changes. Hedging arrangements are inherently risky, and we do not have experience establishing hedging programs, which could expose us to additional risks that could adversely affect our financial condition and operating results.

Our indebtedness could materially and adversely affect our business, financial conditions and results of operations.

As of October 31, 2022, our total indebtedness was US$201.6 million, which consisted of our bank borrowings, lease liabilities. This indebtedness is primarily used to support our daily operations and expansion plan. We intend to repay such indebtedness with cash flows from operations and our cash and cash equivalents. However, we may continue to incur debt to fund our daily operations and to pursue our expansion plans. This indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our indebtedness, obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;

- restricting or impeding our ability to access capital markets at attractive rates and increasing the cost of future borrowings;

- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;

- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and

- increasing our vulnerability to downturns in general economic or industry conditions, or in our business.

RISKS RELATING TO THE SPIN-OFF AND OUR SHARES

The shareholding of our Shareholders may be diluted as a result of future equity fundraising.

We may need to raise additional funds in the future to finance our expansion or for other reasons. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to our then Shareholders, the percentage ownership of individual Shareholders will be reduced. Such new securities may also have preferential rights or options that favor their holders over holders of our Shares, to the extent permitted by law, exchange rules and our constitutional documents.

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Spin-off, there was no public market for, and no established price for, our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Spin-off, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, that it will be sustained following the Spin-off or that the market price of our Shares will not fluctuate following completion of the Spin-off. If an active and liquid trading market does not develop, you may have difficulty in selling any of our Shares that you purchase. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may significantly affect the trading volume and the price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of any lock-up or other transfer restrictions on the outstanding Shares or sales of perceived sales of additional Shares by our Company or other Shareholders.

You should note that the securities market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies listed on the Stock Exchange. Such wide market fluctuations may not be related or disproportionate to the operating performance of particular companies and may adversely affect the market price of our Shares. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Future sales or perceived sales of a substantial number of our Shares in public markets could adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

There can be no assurance that we will pay dividends.

We cannot guarantee when and in what form dividends will be paid on our Shares following the listing. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Our Controlling Shareholders may have substantial control over our Company and their interests may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately after completion of the Spin-off, our Controlling Shareholders will hold (including direct and indirect shareholdings) approximately [**REDACTED**]% of the issued share capital in our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders and it is possible that our Controlling Shareholders may exercise substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders. Further, Haidilao Singapore served as guarantors under 15 leases of us prior to the Reorganization at the requests of the landlords. All of the guarantees, except for guarantees in relation to two leases in the United States, have been, or are expected to be released prior to the Listing. For the remaining two leases, we are currently discussing with the landlords to replace the guarantees provided by Haidilao Singapore with the guarantees to be provided by Singapore Super Hi and/or other U.S. subsidiaries. We do not expect any material implications on the replacement of guarantees provided by Haidilao Singapore by guarantees to be provided by Singapore Super Hi. However, in the worst case scenario that these release procedures cannot be completed prior to the Listing, such guarantees will not affect the Company's financial or operational independence mainly given the Company has sufficient capital resources to pay the rents under the lease agreements.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Cayman Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against the Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. These differences may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See "Appendix III—Summary of the Constitution of Our Company and Cayman Islands Company Law" for further information.

It may be difficult to enforce a Hong Kong judgment against us, our Directors and officers based on Hong Kong securities laws claims or to serve process on our Directors and officers.

We are incorporated in the Cayman Islands with business operations in multiple jurisdictions through various subsidiaries. All of our Directors and officers are non-resident of Hong Kong, and substantially all of our assets and the assets of these persons are located outside of Hong Kong. Despite the existence of some precedents for the enforcement of civil judgments of Hong Kong courts in other jurisdictions we operate, it may still be difficult for a Shareholder, or any other person or entity, to effect service of process within Hong Kong upon us or upon any such Directors or officers, or to enforce a Hong Kong court judgment based upon the civil liability provisions of the Hong Kong securities laws in a foreign court against us or any of our Directors or officers. Hong Kong courts are also subject to certain limiting concerns when being used as an avenue for aggrieved investors, including enforcement of a Hong Kong judgment against the overseas assets, operations and/or directors and enforcement of an overseas judgment in Hong Kong courts. In particular,

- it may not be possible for foreign investors to effect service of process within the relevant jurisdiction upon us or our Directors and officers located outside the relevant jurisdiction or to enforce, in foreign courts, judgments obtained against them in foreign courts, including judgements predicated upon the civil liability provisions of foreign securities laws; and

- it may not be possible for Hong Kong investors to effect service of process within Hong Kong upon us or our Directors and officers located outside Hong Kong or to enforce, in the Hong Kong courts or outside Hong Kong, judgments obtained against them in the Hong Kong courts, or in courts outside Hong Kong including judgements predicated upon the civil liability provisions of Hong Kong securities laws.

Forward-looking information in this listing document may prove inaccurate.

This listing document contains certain forward-looking statements and information relating to us that is based on our management's belief and assumptions. The words "anticipate," "believe," "expect," "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Prospective investors are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed herein might not occur in the way we expect, or at all. In all cases, investors should consider carefully how much weight or importance they should attach to, or place on, such facts or statistics.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government publications contained in this listing document.

Certain facts, statistics and data contained in this listing document relating to the industries where we operate our business have been derived from various official government publications. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this listing document and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials.

Such source materials have not been prepared or independently verified by us or the Joint Sponsors or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this listing document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give due consideration as to how much weight or importance they should attach to or place on such facts.

The entire listing document should be read carefully and any information contained in press articles, media and/or research reports regarding our Company, our business, our industry or the Spin-off not contained in this listing document should not be relied upon.

There may be certain coverage in the press or media regarding us, our business, our industry and the Spin-off. There has been, and subsequent to the date of this document there may be, press or media coverage regarding us, our business, our industry and the Spin-off containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorized by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any such information, publication or underlying assumptions. To the extent that any of the information in the media or publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, you should read the entire document carefully and should make investment decisions about us on the basis of the information contained in this document only and should not rely on any other information.