

2023 CATERING INDUSTRY RECOVERY WHITE PAPER

Preface

2023, K-shaped Recovery in the Catering Industry

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Outlooks

2023

K-shaped Recovery in the Catering Industry

Since the Covid-19 was managed against the measure of "Class B Infectious Diseases", it was like an awakening call, initiating the "recovery" process of economic development in 2023.

Due to the long duration of the epidemic for three years, the entire economy in 2023 will not be recovered in a comprehensive, rapid way with the homogeneous rebound, but will go through a certain period of time in an unbalanced, sequential and structural way.

After the outbreak of the COVID-19 epidemic, the "K-shaped" recovery forecast proposed by JPMorgan analysts has been widely recognized. The "K-shaped" recovery was used to describe the divergence of the economic activity recovery in the United States after the epidemic. However, the "K-shaped" divergence can be found everywhere, as the "recovery divergence" exists widely from countries to industries, from regions to professions.

Specifically in the catering industry, both the supply and demand have been profoundly impacted by the 3-year epidemic. On the one hand, the localized, personalized, and diversified demand is cultivated, which has developed people's online habits of living, working, socializing and entertaining. On the other hand, the epidemic has brought enormous pressure and trauma to the catering industry in the past three years. Over 1.7 million catering-related enterprises' licences have been canceled or revoked, exceeding the total number of cancellations and revocations in the past 10 years. The entire catering industry has suffered a cumulative loss of RMB 3.5 trillion in the past

three years. However, the industry is still resilient under pressure, which accumulated new energy and reinvented itself with new capabilities and new form of business.

As a result of the 3-year epidemic, great changes in the catering industry are mainly shown in two aspects. Firstly, the online mode is upgraded to the "home field". Due to the obstacles of offline interaction, the extent of the online catering with the digital support has been intensified unprecedentedly. Online catering has become the new terminal after being upgraded from "minor field" to "home field" while the "double home field" with the combination of both offline and online catering has been formed. Secondly, the double demand of cost performance and sentiment-price-ratio promotes a clear distinction between the "catering industry" and the "catering service industry". Under the triple superposition of industrialization, service industrialization, and digitization, the catering industry continues to evolve and grow, bursting into a new vitality in an uneven and infinite combination.

In this context, the "recovery" of the entire catering industry is no longer a simple return to the original business model, but a recovery led by the innovative growth in 2023, after a round of system upgrades under the interaction of diversified scenarios, various demand, and new supply.

This report presents the recovery status of the catering industry in 2023 for upstream, downstream and related practitioners from three aspects including the new development features of major categories such as hot pot, fast food, barbecue and beverage, the recovery of upstream supply chain and new changes in the consumer demand.





Overview of the Market Recovery in the Catering Industry

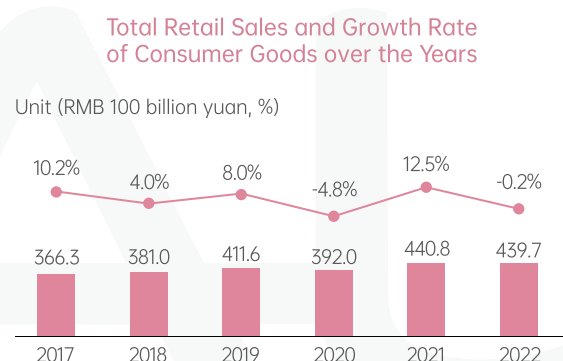
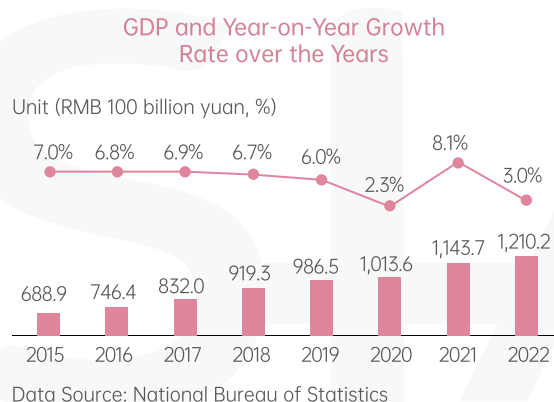
01

- Macro Environment
- Inventory Situation
- Development Prospects
- Recovery Pace

Macro Environment

It is the focus to promote consumption in the economy, catering industry is playing a key role.

Due to the impact of the epidemic in the last three years, the GDP growth rate has slowed down. In 2022, the total GDP reached RMB 121 trillion with a year-on-year increase of 3%, and the retail sales of consumer goods reached RMB 44 trillion with a year-on-year decrease of 0.2%. Compared to the investment and trade, consumption plays a key role in GDP growth. At the 2023 NPC and CPPCC sessions, the Report on the Work of the Government stated the expansion of domestic demand should be listed on the first place, and the recovery and expansion of consumption should be prioritized, and efforts should be made to promote the recovery of life service consumption such as catering. The mild recovery of the economy means that consumption will play an important role in the longer recovery process.

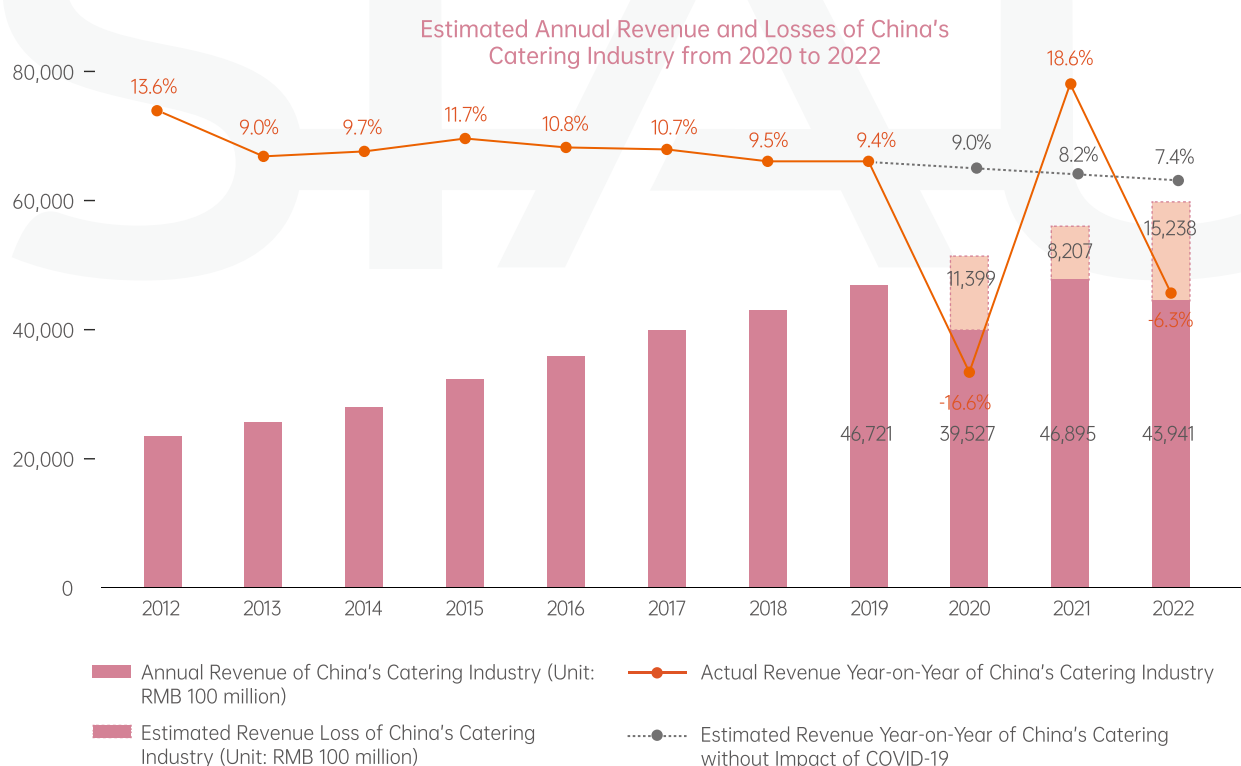


Inventory Situation

In 2022, the catering industry's revenue reached RMB 4.39 trillion, with a cumulative loss of RMB 3.5 trillion over three years.

The past three years witnessed numerous tests in social development from Wuhan, Shanghai to Beijing. It was also a period of stagnation in China's catering industry. According to data from the National Bureau of Statistics, the catering industry's revenue in 2022 reached RMB 4.39 trillion with a year-on-year decrease of 6.3%. Q2 of 2022 was severely affected by the epidemic, with domestic catering revenue decreasing by 22.7% year-on-year in April. After recovering in August, the epidemic once again lowered revenue levels in Q4.

At the beginning of 2020, it was estimated that the revenue in the catering industry would continue to grow in 2020, with annual revenue exceeding RMB 5 trillion and reaching RMB 5.9 trillion in 2022. Compared with the actual annual revenue of the catering industry in the past three years, it is equivalent to a loss of RMB 1.1 trillion in 2020, RMB 800 billion in 2021, and RMB 1.5 trillion in 2022. The cumulative loss over the past three years is RMB 3.48 trillion.



Notes:

1. Actual Revenue and Year-on-Year Growth Rate of China's Catering Industry from 2012 to 2022. Data Source: National Bureau of Statistics

2. Logic for Estimating Losses: In early 2020, China Cuisine Association (CCA) estimated that the growth rate of the revenue of China's Catering industry for that year would be 9%; The revenue of China's catering and beverage industry from 2021 to 2022 was estimated at the growth rate of the industry from 2016 to 2019.

Data Source: Meituan New Catering Research Institute

Development Prospects

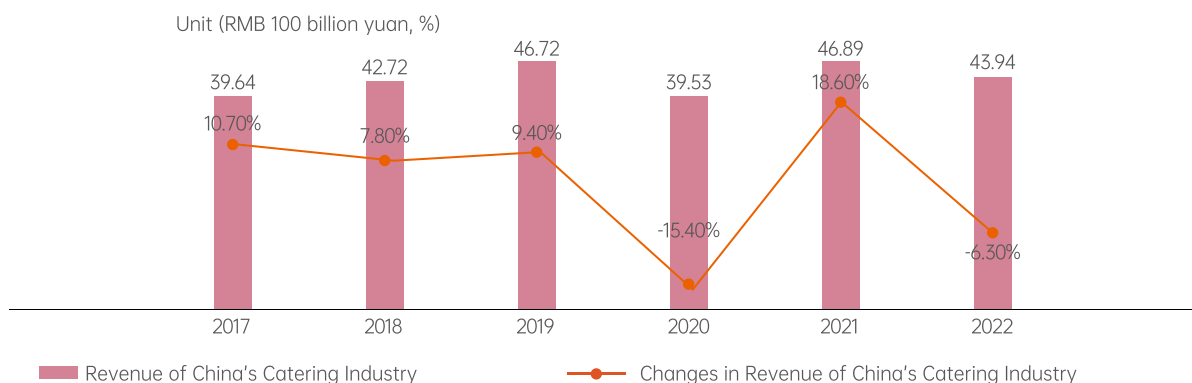
From January to February in 2023, the national catering revenue increased by 9.2%, the annual revenue is expected to reach a new high.



From January to February in 2023, the consumption of the catering industry continued to rise, with a vigorous recovery momentum. According to the monitoring of the Ministry of Commerce, the sales revenue of China's key retail and catering enterprises during the Spring Festival increased by 6.8% compared to last year's Spring Festival, and catering revenue in multiple provinces and cities across the country increased. After the Spring Festival, food and beverage consumption remained vibrant with continuous growth.

In order to boost the recovery of the catering industry, Beijing, Shenzhen, Hangzhou and several other cities issued special vouchers for catering consumption from January to February, resulting in an obvious effect. According to Meituan data, after issuing consumption vouchers in cities such as Hangzhou, Ningbo, Shaoxing, Shenzhen, Zhuhai, and Dongguan, the year-on-year growth rate of dining-in consumption has all reached double digits. In addition to the issuance of consumer vouchers, governments in various places have introduced policies to further optimize the business environment. Beijing, Guangxi, Guangzhou, Xiamen, Wuxi, Chengdu and other places have introduced policies to support roadside business; Jiangxi Province has launched a financial product with the name "Gancai Loan"; The Shanghai Market Supervision Bureau has announced the dynamic management measures for the "License Convenience List".

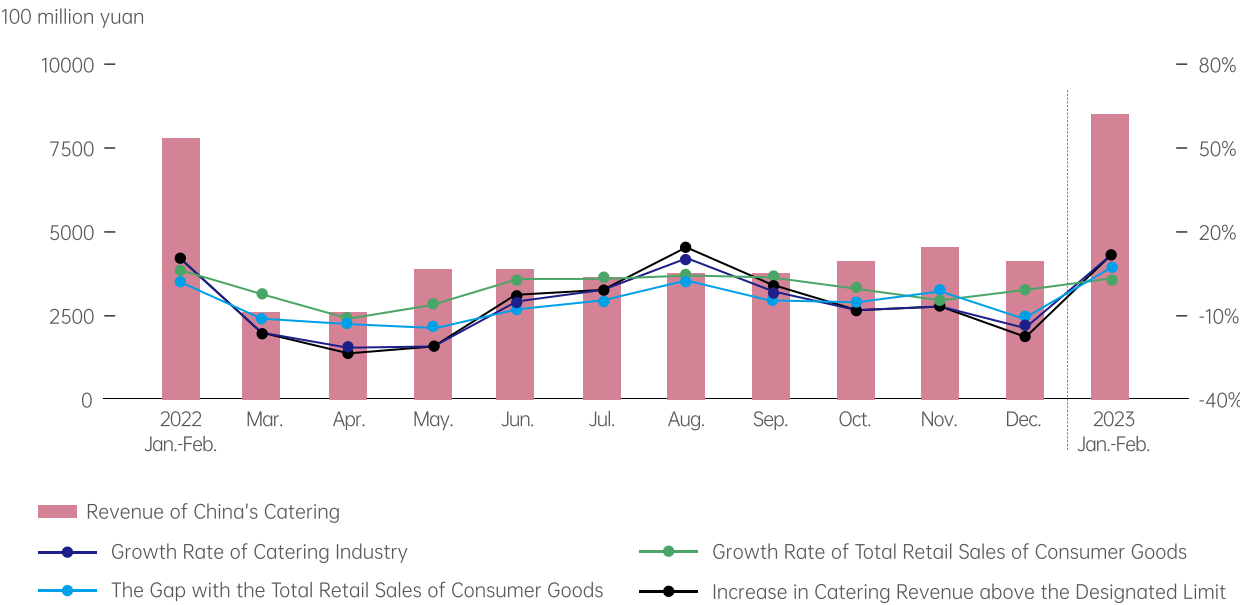
Revenue of China's Catering Industry from 2017 to 2022





From January to February, driven by the Spring Festival holiday and Enterprise Boost Policies, the demand for catering consumption was significantly released, and the catering market rebounded with obvious effect, which demonstrated a good start for the whole year and became a "catalyst" for the enhancement of the consumer confidence in 2023.

According to data from the National Bureau of Statistics, the national catering revenue reached RMB 842.9 billion from January to February in 2023, an increase of 9.2%, accounting for 10.9% of the total retail sales of consumer goods with 5.7 percentage points higher than the growth rate of the total retail sales of consumer goods. With this growth rate, it is expected to rise up to a record high of RMB 4.8 trillion in 2023.



Data Source: The National Bureau of Statistics

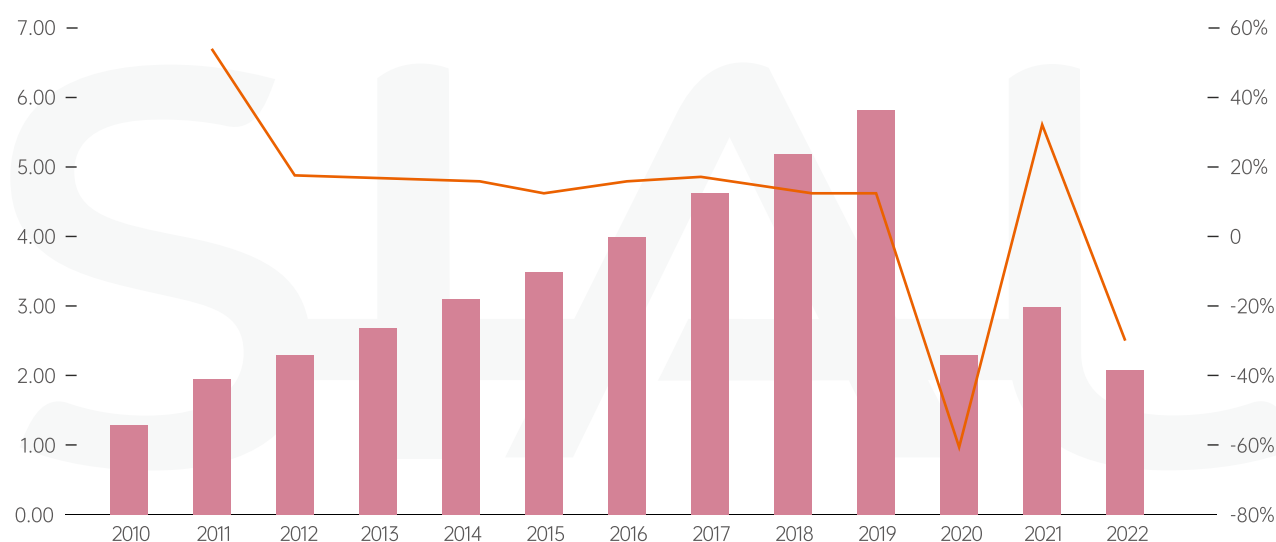
Mobility bringing vitality, and the tourism recovery driving the catering consumption.

The China Tourism Research Institute predicts that in 2023, the number of domestic tourists in China will reach approximately 4.55 billion, a year-on-year increase of 73%, and a recovery of 76% from 2019. It will achieve domestic tourism revenue of approximately 4 trillion, a year-on-year increase of approximately 89%, and a recovery of approximately 71% from 2019.

According to calculations, catering expenses account for approximately 24% of total consumer tourism expenses, and the recovery of the tourism industry will bring benefits to the recovery of catering.

Revenue and Trend of Changes in Domestic Tourism in China from 2010 to 2022

(Unit: RMB trillion yuan, %)



Data Source: National Bureau of Statistics; Prospective Industrial Research Institute



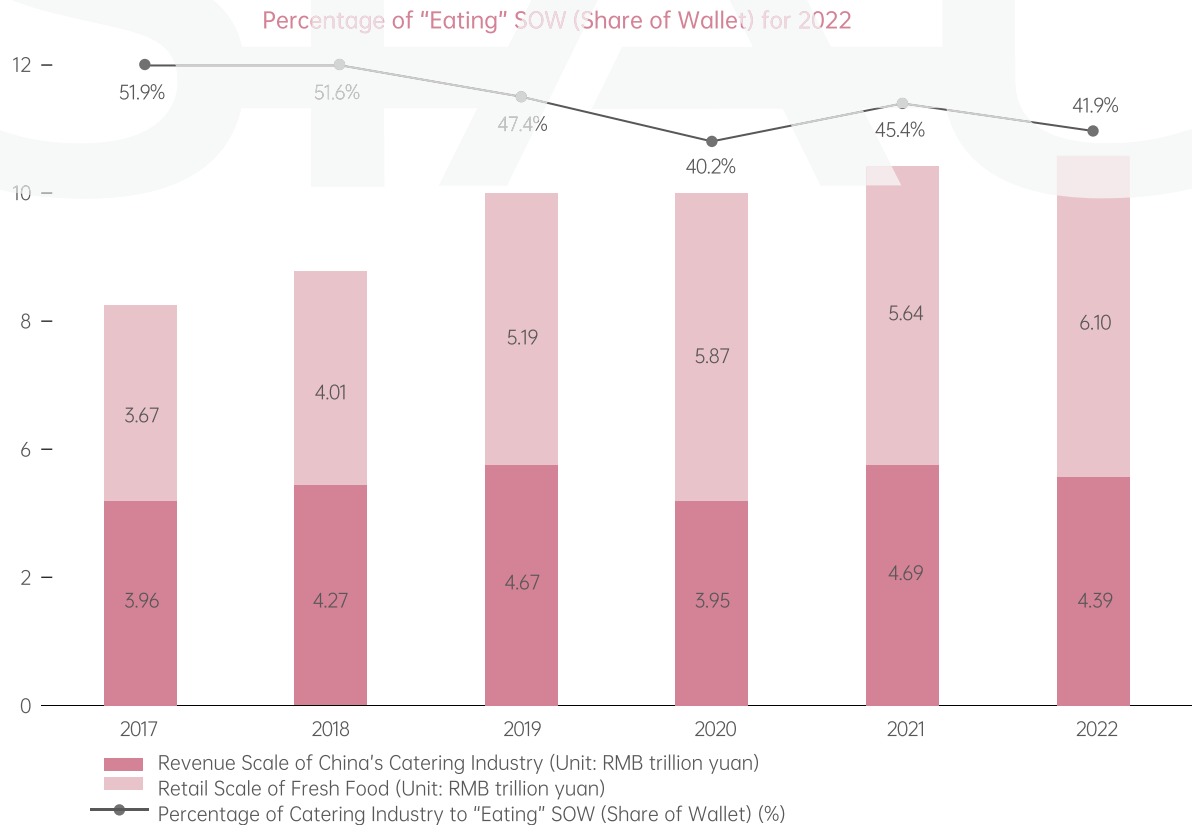
From the overall of food market, there is a huge potential for the catering industry development.



China features in a huge market in food. From the perspective of "share of wallet" in eating, catering accounts for nearly half while family catering is still dominant. According to the calculation by Meituan, among the entire catering with the value over RMB 10 trillion, the category of cooking at home (fresh ingredients) takes up more than a half (58.1%).

From the changes in the internal share of the "food market" in the past four years, it can be seen that the proportion of catering has decreased, from over 50% in 2018 to the current 40% or so. The main reason is that there are more occasions of cooking at home because of the epidemic, which is followed by an increase in the supply of services for cooking at home that makes cooking at home easier.

With the continuous population mobility, however, there is a growing demand of dining out. In addition, social and economic factors such as household miniaturization and time consuming of cooking at home prompt people to choose to dine out, so that the social division of labor is further deepened and the social catering is going to expand in the future.



Notes:

1. Revenue Scale of China's Catering Industry Data Source: National Bureau of Statistics

2. Retail Scale of Fresh Food Data Source: Frost & Sullivan

Data Source: Meituan New Catering Research Institute

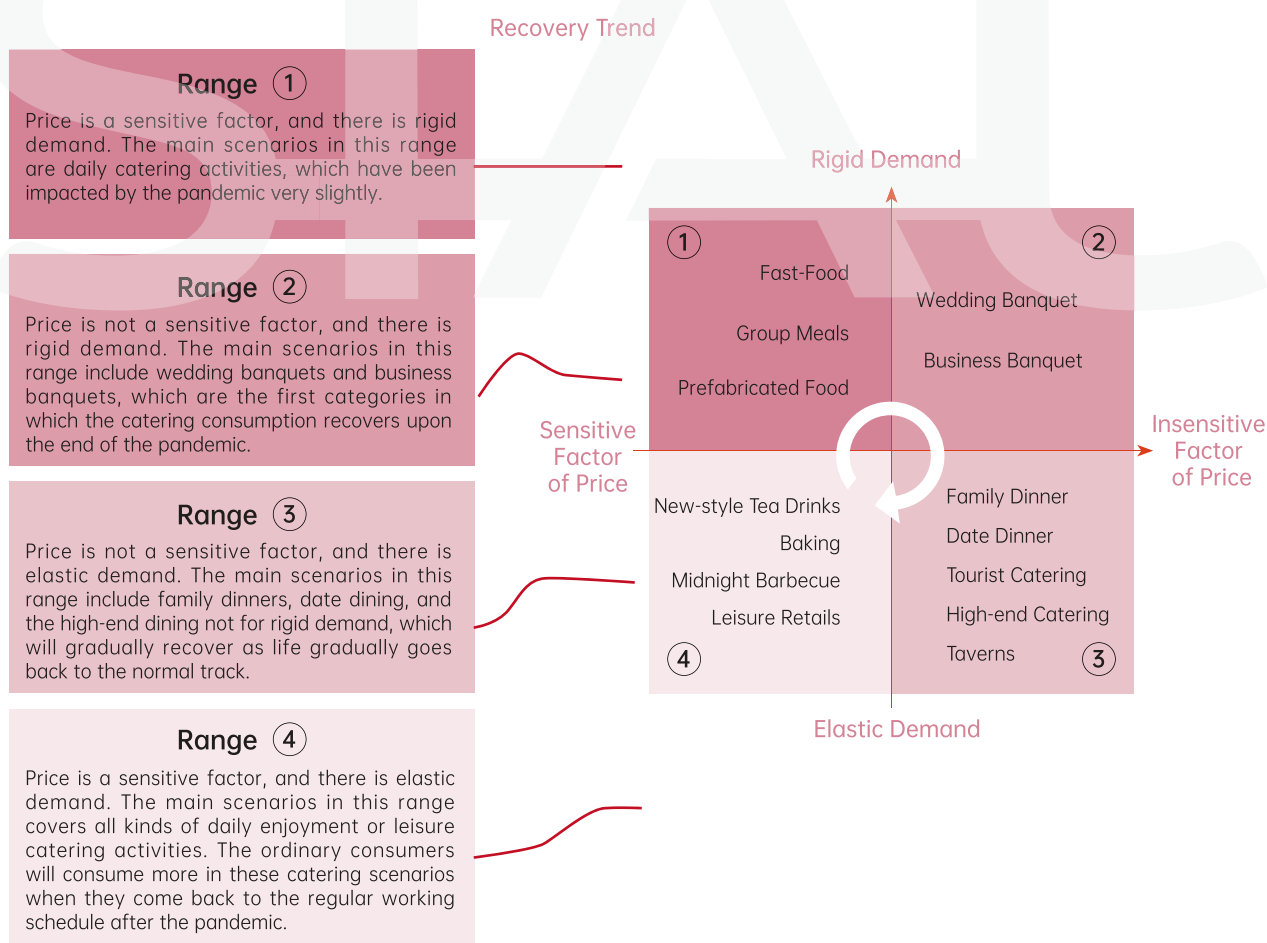
Recovery Pace

Catering is certain to recover, but internal recovery is sequential.

Referring to the K-shaped distribution pattern, the economic recovery is unbalanced. Various industries and different groups of people have their own perception of recovery, so both fire and ice may exist in the same industry. "Ice" derives from the slow or even stagnant growth of new markets and "fire" derives from the fierce competition in the existing market.

Specifically, in the catering industry, the recovery of catering consumption is highly certain, but from the perspective of the internal recovery of catering categories, it is also unbalanced, graded, and structural.

The "2023 China Catering Industry Ecology White Paper" released by canyin88.com, shows that except for scenarios being not affected by the epidemic such as fast food, the rigid demand for wedding banquets and business banquets will first recover. Next comes the scenario of demand elasticity and price insensitivity, and finally comes the scenario of price sensitivity and elasticity consumption of non rigid demand.





Recovery of Food Category

02

- Hot Pot
- Barbecue
- Dinner
- Snacks & Fast Food
- Freshly-made Drinks

Hot Pot

Basic Market of Hot Pot Categories | There are about 500,000 hot pot restaurants nationwide, with a market size exceeding RMB 600 billion

All kinds of ingredients are boiling in different hot pot soup bases, emitting the aroma that turns on the switch of the Chinese people’s appetite. Any troubles in life are likely to melt in the pot.

“There is nothing that can’t be solved with a hot pot meal. If no, then two meals.” The hot pot, as the representative of the current “stress relieving economy” and owing the standardized production feature becomes the most lucrative category in China’s catering industry. The big data of canyin88.com shows that the market of hot pot, except for the year 2020, has maintained a growing trend with the current market size exceeding RMB 600 billion.

In terms of the number of stores, Meituan data shows that in 2019, there were 550,000 hot pot restaurants nationwide. Due to the impact of the epidemic, the number decreased to 490,000 in 2020, and the number rebounded to 520,000 in 2021. Currently, it remains at a level of over 500,000.

Scale of the National Hot Pot Market from 2018 to 2022					
	2018	2019	2020	2021	2022
Market Size (Unit: RMB 100 million)	5168	5554	5268	5630	6046
Year-on-Year Growth Rate	6.4%	7.5%	-5.1%	6.9%	7.4%

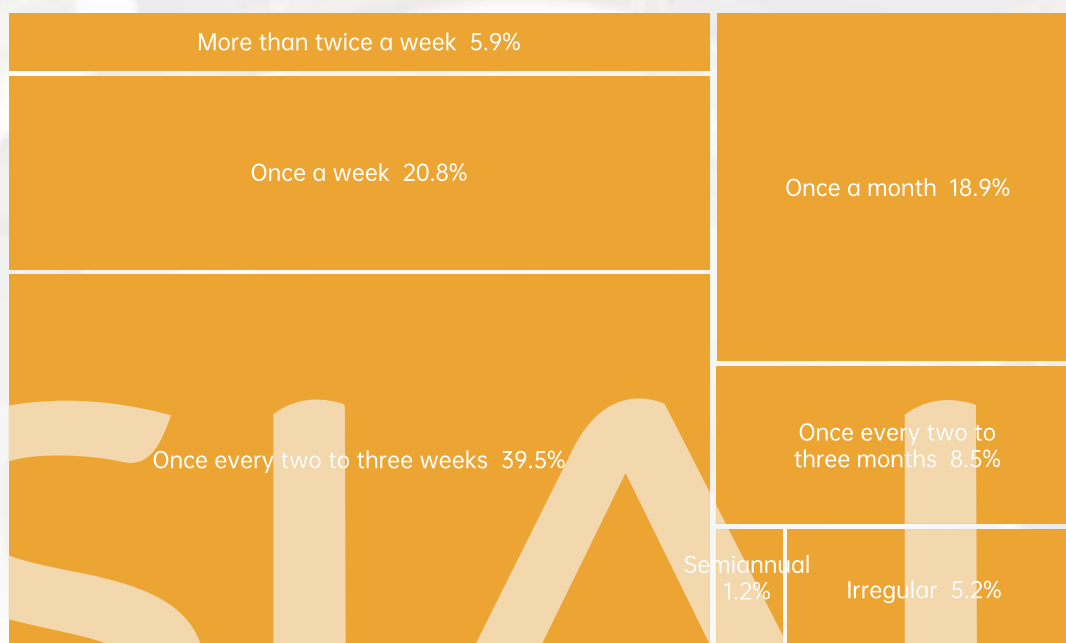
Data Source: canyin88.com

Research shows that hot pot ranked the first among the top food categories with the highest demand during the epidemic. Hot pot has thus become the fastest catering category to recover after the epidemic.

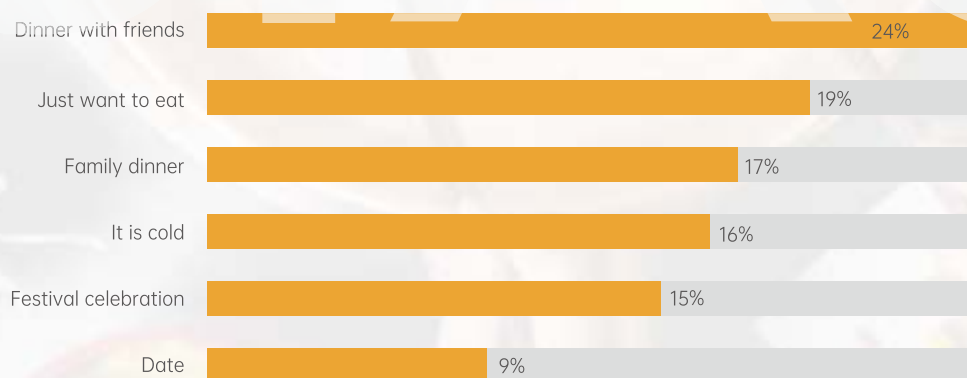
According to iResearch data, over 80% of consumers consume hot pot at least once a month, with 20.8% of consumers consuming it once a week. People choose to eat the hot pot for various reasons from family reunions, friend gatherings, dates, holiday celebrations, and cold weather, to a simple idea of “I want to eat”, which shows hot pot combines the features of both social gathering and unique self entertainment.



Consumption Frequency of Chinese Consumers for Hot Pot in 2022



Reasons for consumers to choose hot pot



Data Source | DATAGOO. Research Report on Hot Pot Industry and Consumers. iiMedia Research

The Highlights of Hot Pot Recovery | Haidilao profits boost industry confidence

As a top brand in the hot pot category, Haidilao's development trend is like the barometer of the whole hot pot category to some extent.

On February 24, 2023, Haidilao released a profit forecast. As of December 31, 2022, Haidilao's annual revenue is expected to be RMB 34.7 billion, with a net profit of RMB 1.3 billion. In contrast, the total revenue was 41.1 billion in 2021 with a net loss of 4.1 billion, so the downward trend is reversed and largely boosted the industry confidence.

The data shows from 2019 to 2020, Haidilao's net profit for three years was 1.6 billion, 2.3 billion, and 300 million respectively. The 1.4 billion in 2022 indicates that Haidilao's profitability is about to return to the level before the epidemic.



Haidilao's Business Overview from 2018 to 2022			
Year (Unit: Year)	Operating Revenue (Unit: RMB 100 million)	Net Profit (Unit: RMB 10,000)	Table Turnover Rate (Unit: times/day)
2018	169.69	16.46	5.0
2019	265.56	23.45	4.8
2020	286.14	3.09	3.5
2021	411.12	-41.63	3.0
2022	347.41	13.73	3.0

Data Source: The Annual Report of Haidilao

Haidilao's profitability improved due to the deepening overall arrangement and enhanced efficiency. In 2022, Haidilao's services include three major sections: on-site food service, hot pot delivery and community fast food, as well as premade vegetable service. Among them, hot pot takeout and community fast food are home services with 30 to 60 minutes delivery which can not only deliver hot pot dishes but also bento at home. The fast-food business focuses on lunch and dinner scenarios, which is committed to providing customers with high-quality and cost-effective simple meals, while e-commerce prefabricated food echoes to the "homestay culture".

These are the new operation strategy explored by Haidilao, which made efforts to meet the diversified customer demand through multiple channels, improve the human efficiency of the stores so that the overall operational efficiency of the stores can be optimized.

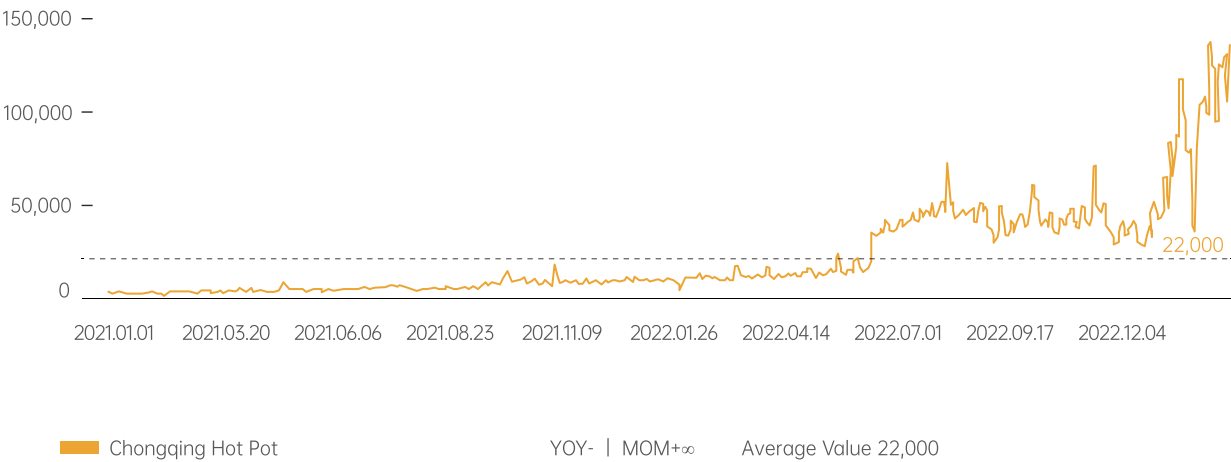
Chongqing hot pot winning the popularity with a focus on "authentic taste" and "fresh ingredients"



Chongqing is the capital of hot pot, always being the top one segmented category among all the hot pot because of its addictive feature of Sichuan and Chongqing pepper as well as the authentic identity and the strong taste of memory. Under the epidemic, people have higher demand for "stress relief" and "relaxation", which made Chongqing hot pot even more popular. The majority of hot pot brands with high popularity in 2022 was Chongqing hot pot brand.

For example, Peijie Hot Pot, Nan Hot Pot, Zhu Guang Yu Hot Pot, Wuliguan Hot Pot, Pingjie Hot Pot, Hou Hot Pot, Song Hot Pot Factory, Hongjie Hot Pot, Mi Chongshan Hot Pot, Kaka Hot Pot, etc. Among the top 10 hot pot brands in cities such as Shanghai, Beijing, and Chengdu, half or even more of the brands on the list mainly are Chongqing Hot Pot.

TikTok shows that the search for "Chongqing Hot Pot" has risen significantly since the middle of 2022, and will rise more rapidly after 2023.



Data Source: Tiktok Trendinsight

Keyword Notes of Concerning Hot Pot on RED (Partial)

Keywords	Number of Notes on Little Red Book (Unit: Article)
Chongqing Hot Pot	850,000+
Sichuan Hot Pot	130,000+
Chaoshan Beef Hot Pot	110,000+
Coconut Chicken Hot Pot	60,000+
Traditional Beijing Hot Pot	50,000+
Pork Belly and Chicken Hot Pot	20,000+
Side Furnace in Hong Kong Style	20,000+

Data Source: RED

On the RED, the number of notes relevant to the keyword "Chongqing Hot Pot" is also far higher than that of Sichuan hot pot, Chaoshan beef hot pot, Old Beijing hot pot and other keywords.

The Chongqing hot pot brands that are recently rising almost all emphasizes the authentic taste and fresh ingredients.

For example, Peijie sticks to the brand strategy of "Chongqing's spiciness" and insists on the air transportation of ingredients from Chongqing; Nan Hot Pot changed its slogan to "Five Catties of Butter and One Catties of Ingredients, Authentic Chongqing Flavor", mainly promoting Chongqing-featured specialties such as Soft Chicken Feet and Jiugongge Special Dish; Hongjie Hot Pot insists on frying the hot pot base every day; Wuliguan Hot Pot specializes in traditional handmade dishes.



Meanwhile, considering people's pursuit of human connection, the hot pot brands pay special attention to the emotion. It becomes a popular mode to name the hot pot with "XX Jie Hot Pot" or "XX Ge Hot Pot". For example, Jinjie Hot Pot, Shanjie Hot Pot, Quange Hot Pot, etc.

User Centric, Hot Pot + Everything

In the past three years, the epidemic has forced the hot pot industry to innovate. On the one hand, the hot pot categories are enriched with products integration and better experience, that is, everything can be boiled while everything can be added; on the other hand, the hot pot brands cultivate their key abilities to withstand vulnerability by distributing products online, retailing and offering takeout service, thus the retail modality of instant hot pot, hot pot base, etc. becomes more popular.

**The most noteworthy in the hot pot industry
is the emerging integration of new modalities.**

In November 2021, Xiexie Pot was opened in Guangzhou and Shenzhen by Zhang Zhenwei, the former CEO of Coucou, with the integrated innovative model of "Hot pot + barbecue + milk tea+ alcoholic beverages". At the startup, it was invested by Sequoia Capital with RMB 100 million. Both the hot pot and barbecue are the most favorable products and options for young people. As there is an obvious distinction between peak season and dull season, the two modalities can complement each other by breaking the boundaries or frameworks, offering more choices to the consumers so that a single store can be very attractive.

Zhang zhenwei stated Xiexie Pot tried not only to offer a trendy hot pot, but also a specific zone of "belonging" where the young people can be understood and relieved. The customers can fully experience the youthful consumption scenario by 3 in 1 combination of dish categories, services and space.

Zhu Guang Yu Hot Pot introduced the trendy desserts and "four legendary roadside stalls" into Chongqing's old hot pot, boldly integrated the products, and created a "kaleidoscope" on the hot pot table; Blending old and new in style, presenting ancient local objects, life elements from the 1980s, and classic scenes from movies and TV dramas in the stores, becoming a trendy check-in destination for young people.

Sichuan and Chongqing spicy and clear soup bases are also breaking the long-existing boundary. Shu Kingdom General Hot Pot and Song Chongqing Hot Pot Factory under Jiumaojiu Group have invented a new eating by boiling freshly sliced beef in spicy red soup, integrating "Sichuan Chongqing Hot Pot" and "Chaoshan Beef Hot Pot". At present, Shu Kingdom General Hot Pot has developed 80 stores, and Song Chongqing Hot Pot Factory has opened 29 direct stores.



Chaoniudao introduced the western style in the hot pot by the combination of the hot pot and grill as well as sitting on one table with two pots. It started the innovative way of cutting beef with knives and forks. There were 150 new stores in 2021. By now, the number has increased to over 320 stores nationwide.



Hot pot with ingredients being popular, resulting in the higher cost-effectiveness

After the development for 30 years, the Chinese hot pot market entered into the inventory development period. Due to the homogeneous competition, the hot pot industry has a trend of differentiation, emerging more segmented categories which become more and more popular, such as fish and bullfrog hot pot, pork belly chicken hot pot, seafood hot pot, beef offal hotpot, coconut chicken hot pot, scalded lamb hot pot and others. Especially Want Hot pot (mainly featuring pepper pork belly chicken) and Qi Xin Tian (stir fried seafood+hot pot) have developed towards the IPO of Hong Kong stock market. All these greatly increased the popularity of hot pot with ingredients.

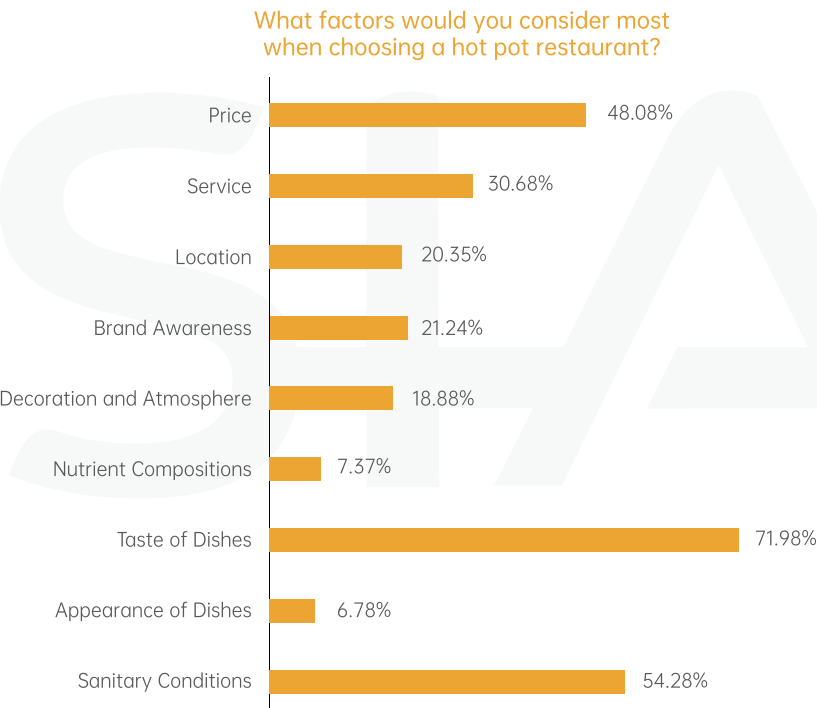
The hot pot with ingredients is popular because it is strongly differentiated from the widely-recognized hot pot without ingredients (hot pot soup base with ingredients). In addition, it follows the cost-effective trend that the customers aspire for after the epidemic. The average cost of the pot with ingredients is slightly lower than that of the pot without ingredients, among which the former is more affordable.

According to the "2023 China Hot Pot Business Development Report" released by Hot Pot Restaurant, the hot pot category with a unit price of RMB 40 to 70 has shown an upward trend in the past three years of the epidemic.

Segments and Representative Brands of Hot Pot with Condiments			
Product Segments	Brands	Number of Stores (Restaurants)	Average Transaction Value (ATV) (Unit: RMB yuan)
Pork Belly and Chicken Hot Pot	WANT HOTPOT	150+	145
	MIAO XIN PORK BELLY CHICKEN	250+	63
	GUANG SHUN XING POR BELLY CHICKEN	280+	89
Coconut Chicken Hot Pot	ORIGINAL PROPOSITION COCONUT CHICKEN	50+	91
	FOUR SENSONS COCONUT GROVE COCONUT CHICKEN	40+	111
	TASTES SEASON HAINAN COCONUT CHICKEN	40+	87
	SEASON COCONUT CHICKEN HOT POT	25+	116
Fish Hot Pot	Li'er Freshfish Hot Pot	210+	60
	Little Riverside Fish	200+	76
Shrimp Hot Pot	Xia Chi Xia Shua	520+	70
	LIXIANG SHRIMP	460+	59
Frog and Fish Head Hot Pot	WEI JUE FROG AND FISH HEAD	250+	82
	QIQING FROG AND FISH HEAD	90+	79
	Gelaoguan Chongqing Frog and Fish Head	100+	139
Marinated Hot Pot	Vintage The Hotpot	260+	93
	LU PRINCIPAL OLD HOT POT	230+	95

Segments and Representative Brands of Hot Pot with Condiments			
Product Segments	Brands	Number of Stores (Restaurants)	Average Transaction Value (ATV) (Unit: RMB yuan)
Side Furnace in Hong Kong Style	Lin Ji Hong Kong type side furnace	100+	83
	Tong Ji Hong Kong Style Claypot	30+	96
Scalded Mutton Hot Pot	DONG DAN HU JU MUTTON RESTAURANT	460+	81
Street Stall Pork Lard Hot Pot	Qi Qi Street Stall Hot Pot	100+	67
Beef Offal Hot Pot	Gu Le Niu Xiang Beef Offal Hot Pot	170+	69
River Snails Rice Noodle Hot Pot	Liu Yingying River Snails Rice Noodle Hot Pot	30+	65

Data Source: Public documents (statistics till April, 2023)



Data Source: Survey on Catering and Hospitality Industry 2021 by canyin88.com

Over the past few years, hot pot restaurants tended to chase after exaggerated decoration rather than focusing on the essence of the hot pot itself. Restaurants usually try a new decoration style every one or two years. During those years, many players in the hot pot sector created a certain scene in the restaurant just for attracting more customers. While in 2023, more and more hot pot restaurants return to the essence of the food, instead of investing heavily into restaurant decoration, they deliver better cost effective service to customers.



Developing broadly and intensively: developing overseas market and sinking down to lower-tier markets.

The hot pot category is recovering with the features of broad and intensive development. Expanding to the overseas market and sinking down to tier-three or even tier-four cities, focusing on the community markets has become the hot battlefield among the hot pot brands.

Hot pot can be prepared in a standardized process and attract a great number of customers. Moreover, it is a cuisine category representing the essence of the Chinese food. Those unique features help the hot pot brands to set a good foundation to expand their business into the overseas market. "Going global" for a larger market share has become one of the keywords for the hot pot chains that strive for a larger market after the COVID-19 epidemic.



On December 30, 2022, "Super Hi International", a subsidiary of Haidilao, was listed on the main board of The Joint Exchange of Hong Kong Limited (HKEX). Super Hi International presented its flexible performance in matching its products with the local market and in the acceleration of its brand breakout. In details, it launched Tom Yam Hot Pot in Thailand, Jinseng Chicken Hot Pot and Kimchi Hot Pot in South Korea, Sukiyaki Hot Pot and Tonkotsu Bone Hot Pot in Japan, etc. The annual revenue of Super Hi International as of December 31, 2022 is expected to exceed US\$ 558 million, increasing by 78.6% year on year.

According to the incomplete statistics, in addition to Super Hi International, other hot pot brands, such as Spice World, Shoo Loong Kan, and Liu Yishou, are constantly expanding their business overseas.



In terms of the domestic market, from the compound annual growth rate of the hot pot store number in different cities in 2020-2022, which was published in the 2022 Hot Pot Category Development Report jointly released by Meituan and CBNDData, the number of the hot pot stores in the tier-three cities and the lower tier markets over the past two years increased at a relatively rapid rate, representing 2% and 1.3% of growth rate respectively, while the growth rate of the number of the hot pot stores in the emerging tier-1 cities showed a decline, with a growth rate of -1.21%.

The importance of the layout of hot pot brand in lower tier markets can be also reflected by some fast-growing brands in 2022. Up to now, Nan Hot Pot has opened over 430 outlets, of which 45% of its stores are opened in the lower tier markets. Li Xiang Shrimp Hot Pot has opened more than 460 stores already and 71% of its stores are distributed in the tier-3, tier-4 and tier-5 cities. 59.9% of the stores of Dongdan Huji Mutton Restaurant are located in the tier-3, tier-4 or even tier-5 cities.

Another hot pot brand, Liu Yishou, also pay great attention to explore the overseas market and community stores. Yin Yi, President of Liu Yishou, expressed that Liu Yishou is very optimistic about the overseas market as the epidemic is over. Moreover, as Liu Yishou has already laid a foundation in the overseas market, both Liu Yishou hot spot brand and Liukoushui Hot Pot Noodles, a sub-brand under Liu Yishou are enhancing their layout in the overseas market in the new year. In addition, developing community catering is also an important business of Liu Yishou. Digitalization, overseas market, community catering stores, all of these three factors constitute the focus of hot pot brands for their development in the year of 2023.



Barbecue

General View of Barbecue Category | There are more than 500,000 barbecue restaurants across China, with a market scale of about RMB 250 billion.



Barbecue, the most original catering form born in the residence and flourishing in social activities, has become the second largest catering competition path after hot pot, thanks to its feature of "Everything can be barbecued" and the inherent emotion of social attributes.

According to the data released by the Report on Chinese Catering Industry, barbecue category has grown rapidly at a rate of 56% per year since 2005 in terms of scale, becoming one of the fastest growing categories in the Chinese catering industry.

According to the data released by the National Bureau of Statistics and the China Cuisine Association (CCA), the total revenue of the catering industry in China in 2019 reached RMB 4.67 trillion, corresponding to a barbecue market with a scale of about RMB 210 billion in 2019, with a year-on-year growth rate of 23.5%, much higher than the growth rate of the whole industry (9.4%).

The total revenue of the catering industry in China in 2020 was RMB 3.95 trillion due to the COVID-19 epidemic, decreasing by 16.6% year

Scale and Growth Rate of Barbecue Market in China from 2018 to 2022

Year	Market Size (Unit: RMB 100 million)	Year-on-Year Growth Rate
2018	1700	12.5%
2019	2100	23.5%
2020	2000	-9.5%
2021	2300	15%
2022e	2500	8.6%

Data Source: Chenzhi Catering Big Data

on year. Barbecue category, however, is recovering with hot pot category before other categories after the epidemic to its inherent social attributes. The annual scale of barbecue category remained at about RMB 200 billion, although it declined by 9.5% year on year, which is still better than the decline of the whole catering industry (16.6%).

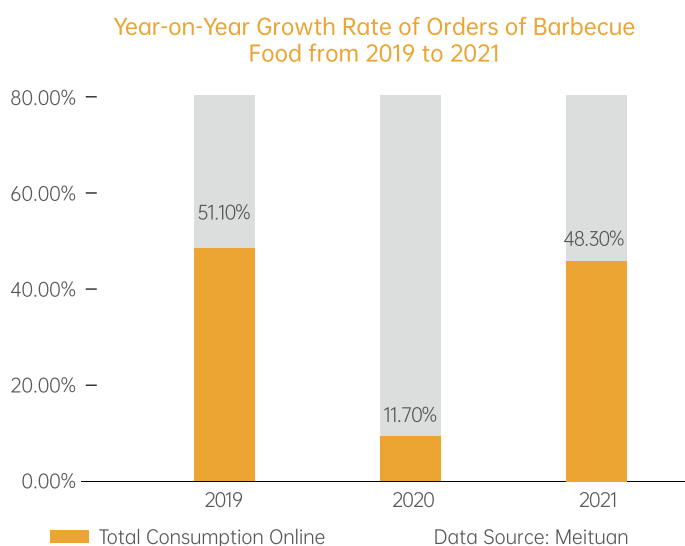
In 2019, there were about 470,000 barbecue restaurants across China; in 2020, it decreased to 450,000 restaurants under the COVID-19 epidemic; In 2021, the barbecue category began to rebound and the number of barbecue restaurants increased to 460,000. According to Chen Zhi Catering Big Data, the number of the hot pot restaurants across China as of the first half year of 2022 remained at more than 500,000, and the scale of the market in China in 2022 was about RMB 250 billion.



Recovery Highlights in Barbecue Category | Trend of Online Consumption: Online consumption of barbecue witnessing a significant growth rate of 48.3% year on year.

According to the 2022 Consumption Development Report of Barbecue Category in China jointly released by the Barbecue Committee of China Hospitality Association and Meituan, the number of the barbecue restaurants across China reached 460,000 in 2021, more than that of 2020. Meanwhile, the online orders of barbecue food increased significantly in 2021, with a growth of the total online consumption of 48.3% year on year, a growth of takeaway consumption of 35.7% year on year, and a growth of in-store online consumption of 73.6%.

At the same time, consumers have higher requirements for the quality of barbecue due to the increasingly improvement of residents' living standards, with more frequent consumption and more expenditure on barbecue simultaneously. As the data revealed, the consumption frequency of barbecue of Chinese consumers has increased from 3.1 times per year in 2017 to 4.5 times per year in 2021, and the annual per capita consumption on barbecue has increased from RMB 284 in 2017 to RMB 472 in 2021.



Camping: Outdoors, barbecue and crawfish as the top three hot keywords with camping barbecue.

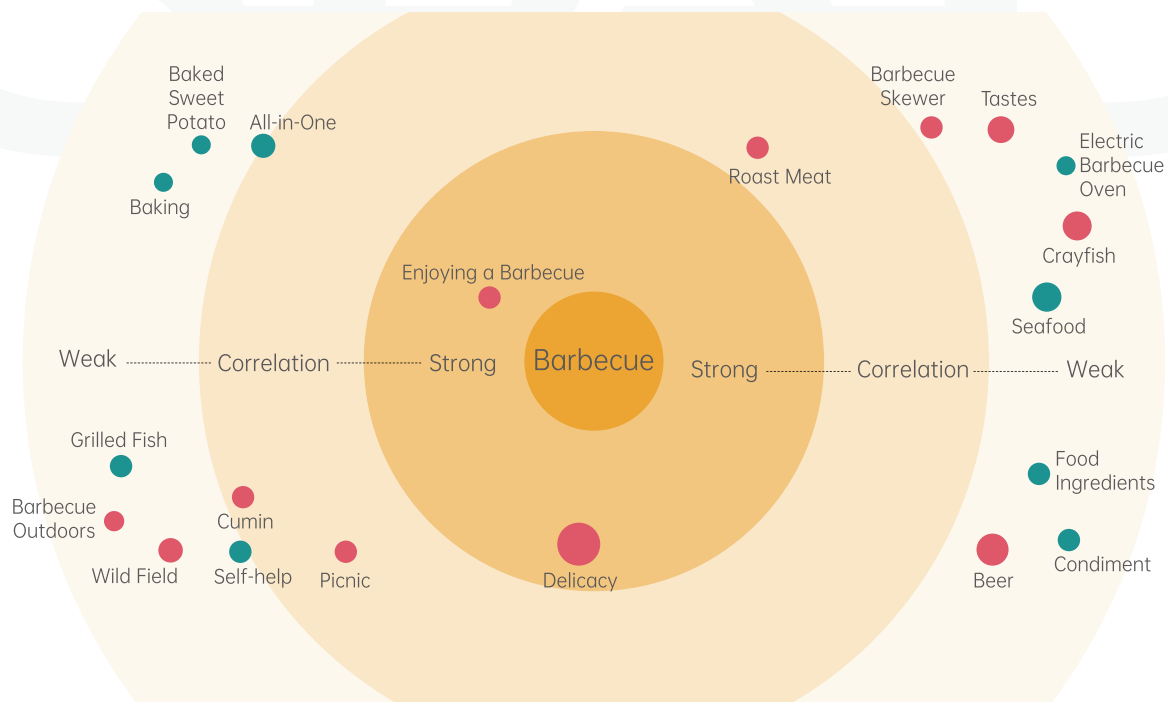
The outbreak of COVID-19 inspires people's aspirations for the hustle and bustle. Barbecue is one of the most pleasing food and also the food category maintaining an excellent performance during the epidemic.

According to the hot searching key words in 2021 released on Dianping.com, the most relevant keywords to "barbecue" include outdoors, barbecue, beer and crayfish, which has successfully predicted the boom of the camping economy in 2022.



Distribution of Data about Keyword "Barbecue" Searched Online

Popularity Trend: ● Rising up ● Falling down Popularity Index: ● ● ● Correlation: Strong --- Weak



Data Source: Dianping.com



According to the 2022 China's Barbecue Industry Consumption Development Report, barbecue is no longer restricted in a restaurant. Instead, it constantly integrates emerging demands and dining scenarios and gradually extends to more diversified scenarios, such as home-made barbecue, camping barbecue, one-person barbecue and so on.

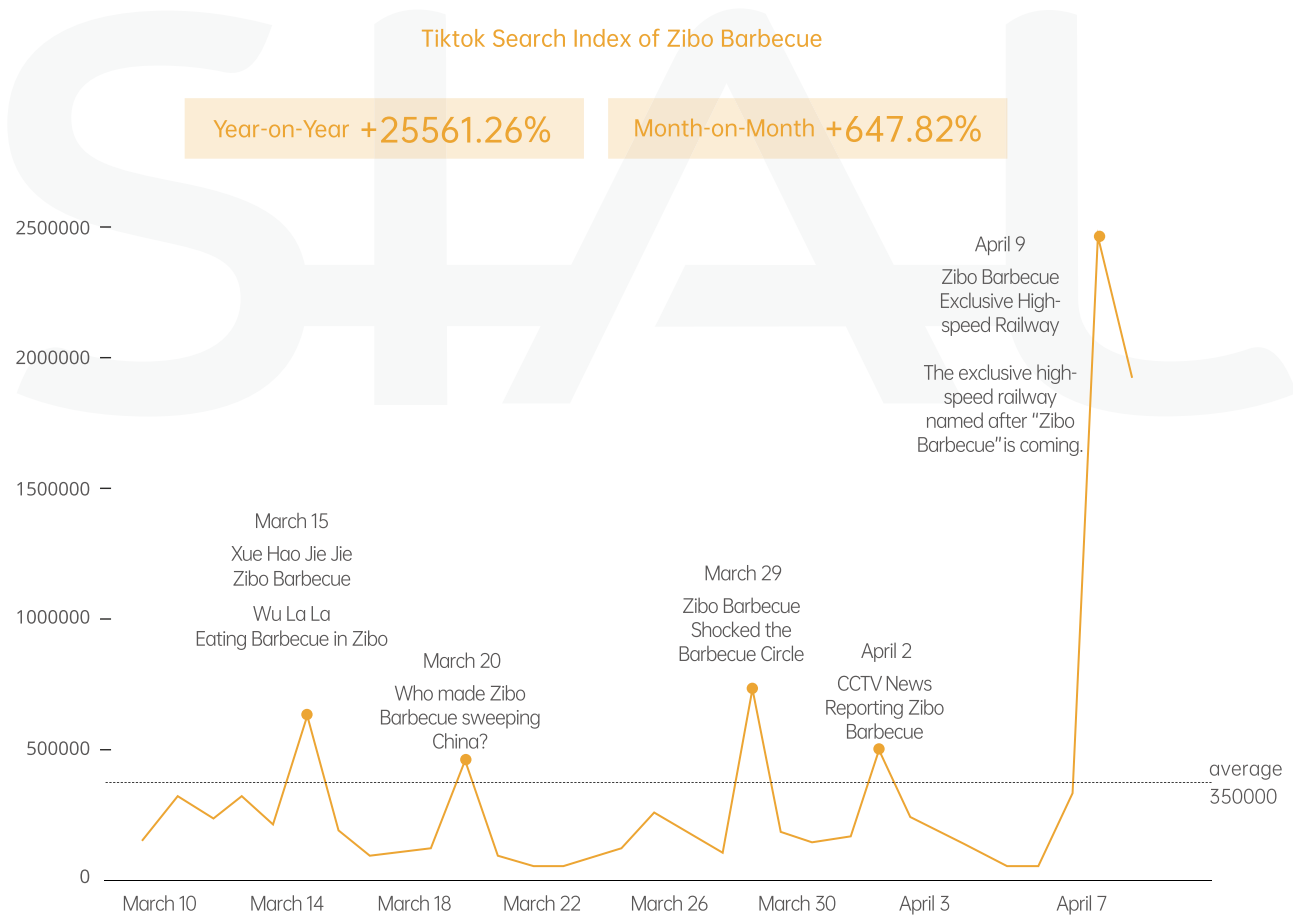
Take camping as an example. Camping has grown rapidly since 2021 and even attracted much attention in various fields in 2022. According to the Report, the number of the takeout orders to campsites increased by 62.7%, and the supply of barbecue dishes indicated with the keyword camping increased by 177.7%. In addition, the single-person meal among the urban office workers and the single people has become an important new scenario in the barbecue category. In the first half year of 2022, the barbecue dishes for single-person and business meals grew by 136.1% year on year.

Cost-performance + Sentiment-price-ratio: Zibo Barbecue Sweeping China

Since March 2023, Zibo Barbecue became popular rapidly on social media because of its soul style, Brochettes + Small Cakes + Spring Onion, and its sense of ceremony flowing out from One Table + One Stove + One Pancake Roll. Since March, the search volume of the keyword "barbecue" on the local platform of Zibo has increased by over 370% year on year, and the search volume of the keyword "Zibo Barbecue" on the whole platform has increased by over 770% year on year. Zibo government especially opened a high-speed train for tourists coming to Zibo to enjoy the local barbecue, which became a hot search topic soon and even was reported by CCTV News, the central TV report station in China.

The local barbecue drove Zibo, a city in Shandong Province, to become the top hot tourist destination during the Labor Day holiday this year. As of April 10, the accommodation bookings in Zibo during this Labor Day holiday increased by 800% compared with 2019, ranking No. 1 in Shandong province.

There are two major reasons explaining the crazy popularity of Zibo barbecue. Firstly, high cost performance. Zibo barbecue is priced at RMB 1 – 2 per kebab on average, and only the relatively rare food ingredients would be priced higher. All the kebabs can be rolled into a pancake as staple food. Generally, it is inexpensive and tasteful, very friendly for college students and the fresh graduates and young workers. Secondly, Zibo barbecue offers relatively rich emotional value to consumers. It is not only delicious, but also featured with a self-help barbecue stove, which is suitable for three to five friends sitting around the table and enjoying barbecue together, full of "life flavor" in the process. It is similar to boiling tea around a stove, another catering scenario very popular prior to Zibo barbecue.



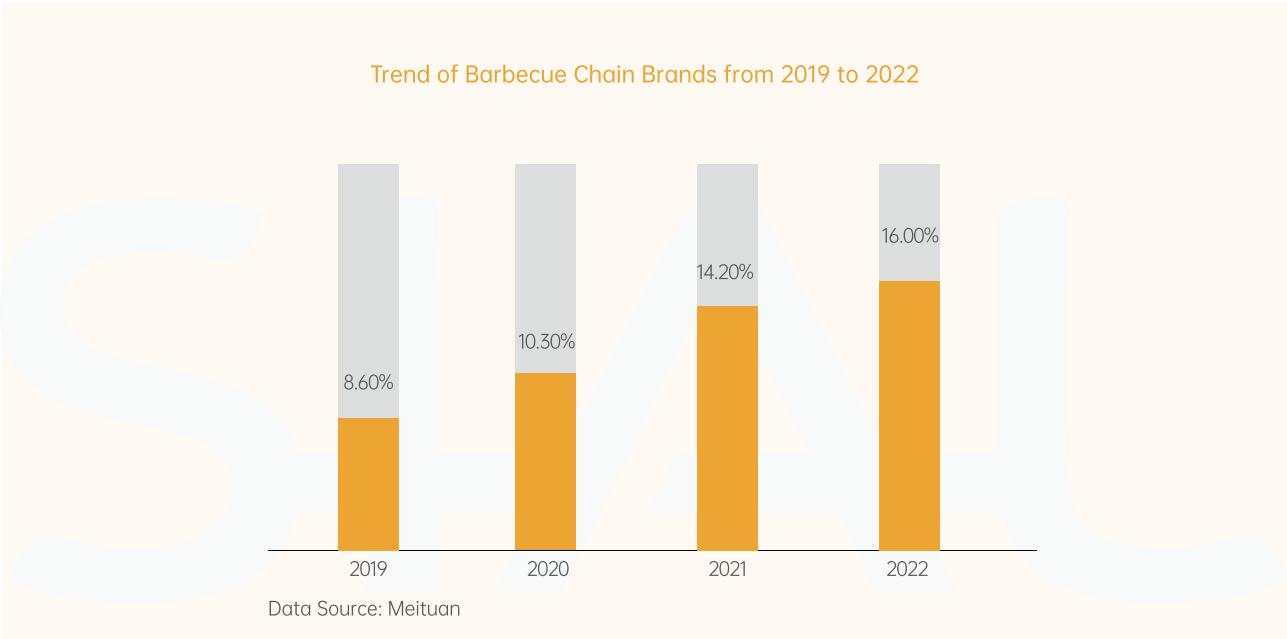
Note: Statistics as of April 12, 2023 9:00 a.m.

Data Source: Trendinsight

Chain Development: Small-sized barbecue stores, chain stores and full supply chain store becoming a trend.

Barbecue industry has evolved from its earlier mode typically with roadside stalls and stores to branding and scaling up development today.

The most remarkable feature of the development of the barbecue is that players and brands have mainly expanded their business with chain stores. Over the past two years, the proportion of barbecue chain stores increased significantly, rising from 8.6% in 2019 to 16% in 2022. At present, the barbecue chain brands are penetrating the market and constantly expanding their market shares.



Dinner

Basic Cuisines of Dinner | Sichuan Cuisine occupying the largest number of restaurants, while Cantonese, Beijing, Hunan and Xinjiang Cuisines expanding rapidly.

Local cuisine is not only the main component of dinner, but also an important carrier of Chinese cuisine culture.

In terms of the quantity of restaurants and stores, Sichuan cuisine is ranked TOP 1, with 340,000 restaurants and stores across China; the local cuisine from Jiangsu province, Zhejiang province and Shanghai is ranked the second, being followed by Cantonese Cuisine and Northeast Provinces Cuisine. In terms of the changes of the ranks of local cuisine with a scale of over 40,000 restaurants or stores, Cantonese, Beijing, Hunan and Xinjiang Cuisines witnessed a significant growth.

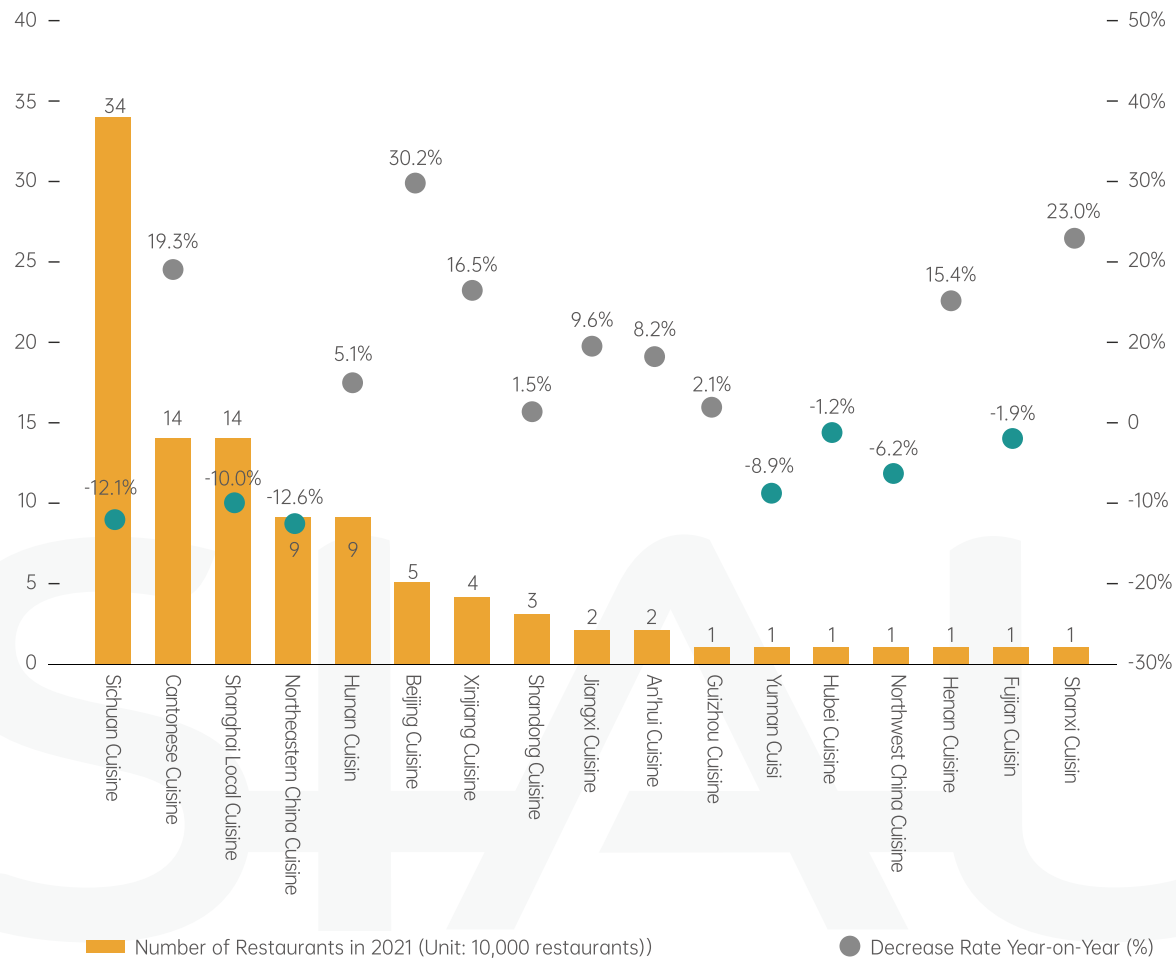
In recent years, the restaurants or stores of Cantonese, Beijing, Hunan and Xinjiang Cuisines have been expanded in scale, mainly driven by some popular dishes in the cuisine, such as Pig Feet with Rice, Chaoshan Goose with spiced soy sauce and Chaoshan Noodle Soup in Cantonese Cuisine, Peking Roast Duck in Beijing Cuisine, Stir-fried Pork with Green Chili in Hunan Cuisine, Big Plate Chicken in Xinjiang Cuisine, etc. All of those popular single dishes have their distinctive taste easier for consumers to remember as well as distinctive attributes of fast food. They can not only be eaten in restaurants, but also be taken out or taken away. They are more suitable for the consumption scenarios in the changing market under the epidemic.

From the prospective of production, those popular single dishes can expand their market shares in scale in chain store mode depending on the complete supply chain system of their own cuisine; from the prospective of demand, those single dishes are sticking to the original taste of the real food ingredients, are more popular with consumers under the general background of greater public health awareness.

Accordingly, all players in the two major local cuisines, small, medium and large-sized, are expanding their business in more flexible stores and stalls in communities with the double benefits of both ends, the supply chain and the demand. They are replicating and expanding rapidly by a popular dish only, delivering excellent data for the whole category.

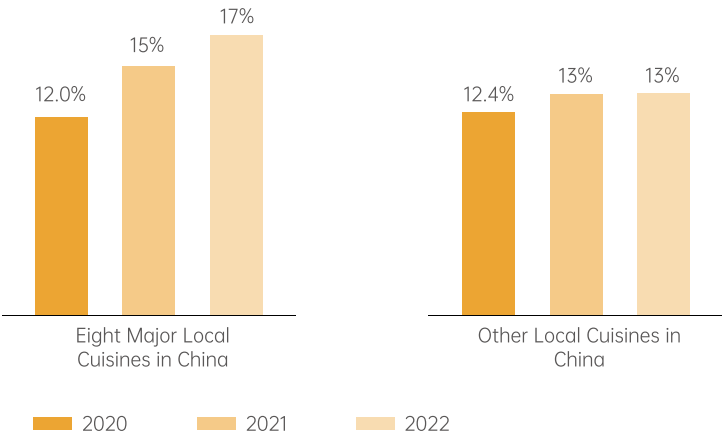


Scale and Increase of Local Cuisine Stores



Data Source: Meituan

Trend of Chain Stores of Chinese Local Cuisines from 2020 to 2022

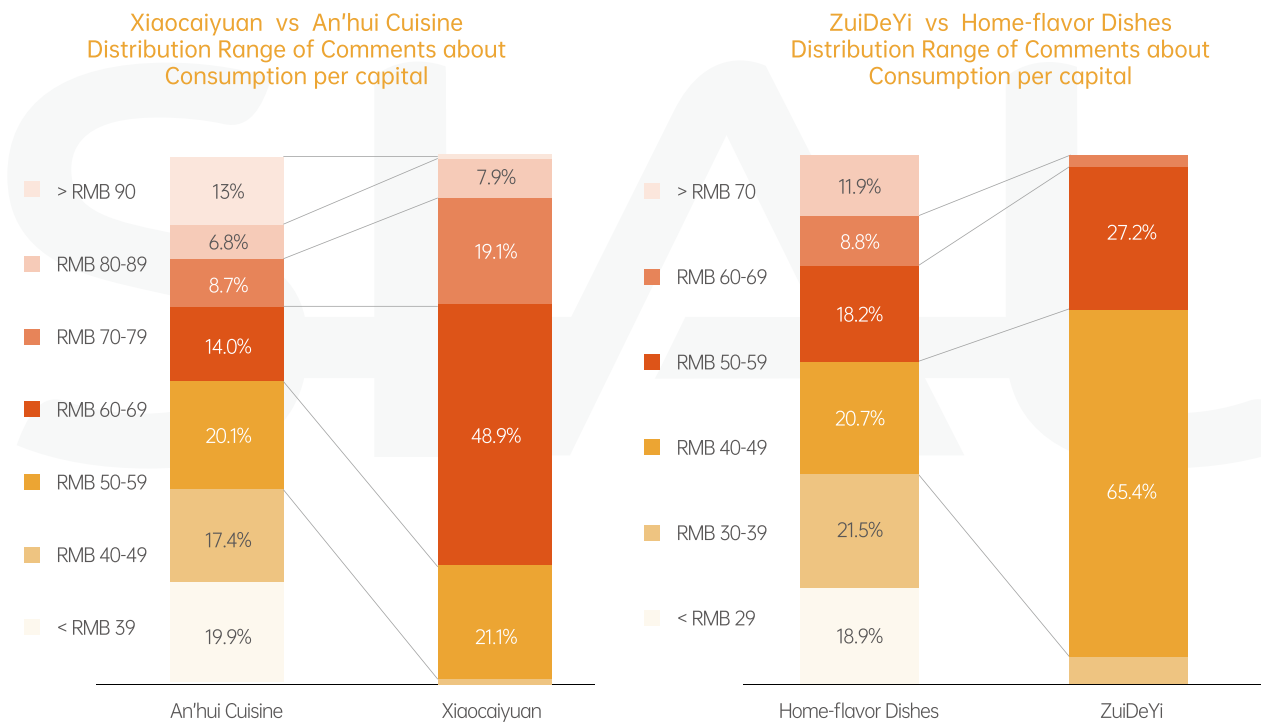


Data Source: Meituan

Highlights of Recovery of Dinner Restaurants | "Strategy of Home-style Dishes" supporting local cuisines to build up large-scale chain brands.

As local cuisines are featured with the regional tastes, the exported local cuisines usually depend on the chef's cooking skills and are subject to the dual restrictions of the lower regional consumption base and the lower degree of standardization. Few chain brands of local cuisine could develop into a scale of more than 100 chain restaurants. However, two local cuisine brands, Xiaocaiyuan of Huizhou Cuisine and Zui De Yi of Fujian Cuisine, have developed at a relatively rapid rate in recent years and broken the magic spell on local cuisines with more than 100 chain restaurants.

Thanks to the dish structures and pricing of local cuisines, local cuisine brands managed to break the geographical restriction and expanded rapidly.



Data Source: Meituan

Xiaocaiyuan Innovative An'hui Cuisine has opened more than 430 directly-operated restaurants in over hundred cities in China, including An'hui province, Jiangsu province, Shanghai and Beijing. Even under the repeated epidemic in 2022, Xiaocaiyuan still managed to realize a revenue of almost RMB 4 billion. On March 9, 2023, Xiaocaiyuan announced that it had received tens of millions of US dollars of financing from Harvest Capital. It is expected that Xiaocaiyuan will have more than 500 restaurants in 2023 and its operating revenue will exceed RMB 5 billion.

Xiaocaiyuan is positioned as a mass catering brand as well as a community canteen, catering customers with “the taste of mother-made dishes” and “the fair price for the public”. In terms of dishes, Xiaocaiyuan not only offers its classical An’hui dishes to attract new customers and the fans of An’hui cuisine, such as Smelly Mandarin Fish, but also supplies many home-style dishes popular with the mass public to satisfy the customers of different preferred tastes and cover a large customer population, such as Fried Slice Streaky Pork with Chili, Shrimp with Garlic Sauce, and Cold Noodles with Chicken Shreds. In terms of price, the overall pricing of Xiaocaiyuan is lower than that of most local cuisine brands. In details, the average cost of a dinner in Xiaocaiyuan stays in the range between RMB 60 and RMB 70. Xiaocaiyuan offers the fried dishes in dinner style for customers with a higher cost-performance, which improves customers' re-purchase rate effectively.

In its earliest years, Zui De Yi was positioned itself as Fujian cuisine. In recent years, Zui De Yi has been expanding steadily to nearly 300 restaurants. The rapid development of Zui De Yi can be partly attributable to its home-cooked cuisine strategy in which Zui De Yi transformed itself from “Fujian Cuisine” into “King of Home-cooked Cuisine”. Such transformation makes Zui De Yi to cover a larger base of consumer groups with its advantages. Zui De Yi sets its dish price structures similar to Xiaocaiyuan, with over 60% of comments showing the unit price of Zui De Yi restaurants are between RMB 40 and RMB 50, which is in the middle range of home-cooked dishes.

Zui De Yi managed to attract many loyal customers with its “Drunken Ribs at RMB 8”. In general, the dish products of Zui De Yi have many advantages, such as fair pricing affordable for the public, regional tastes, and popular taste choices. The family customers, including the elderly people and children, are the major loyal customers of Zui De Yi.



As the business strategist Jerry Weissman said, “The solution to a certain problem always depends on the solution to another problem at a higher level which is adjacent to the previous problem.” Upgrading business strategy at the top level renders an innovative way for Chinese local cuisines to expand bigger space.

What consumers care more about is “the good taste and inexpensive price”, instead of the concept of each local cuisine. If a local cuisine brand understands the essence of the good cost-performance of a dish, it can explore a more practical and logical way to cater more public consumers and correspond to consumers' more rational demands in a resuming market after the COVID-19 epidemic, that is, winning great popularity with a “single starter dish”, expanding business space through “home-style meals”, and eventually breaking down the barriers on local cuisines.

The "single starter dish" driving local cuisines expanding from regional market to national market.

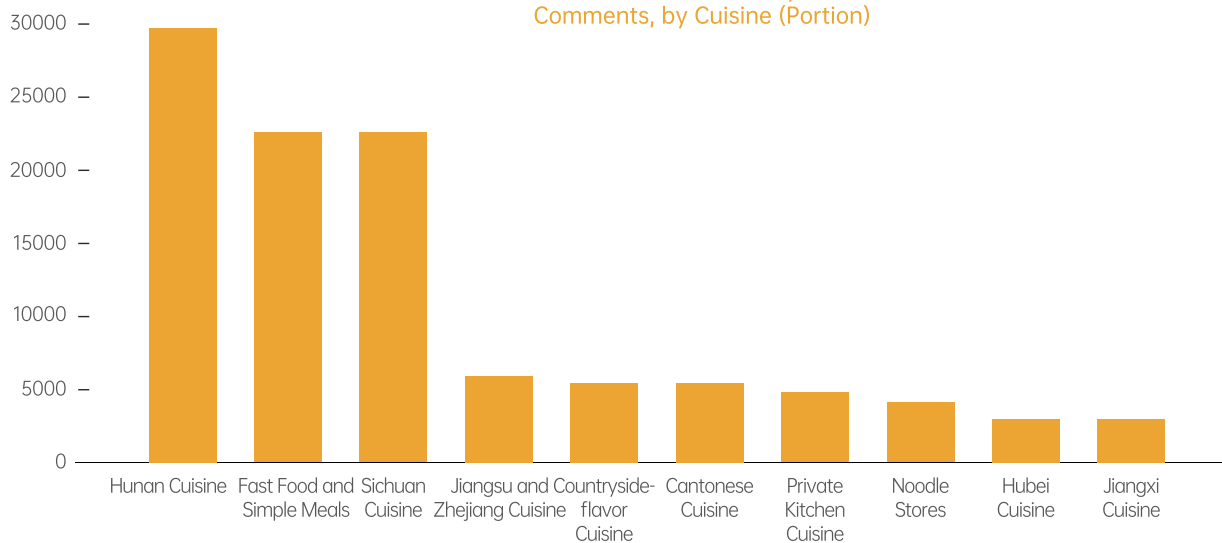
A rule has been gradually established in the process of recovery and development of local cuisines, namely, "a single starter dish can make a well-known cuisine". For example, An'hui cuisine is famous for its Smelly Mandarin Fish, Hunan Cuisine is recognized by more consumers for its Fried Meat with Chili, and Shandong Cuisine can contact more consumers in a larger scope thanks to its "Yimeng Fried Chicken".

Take Hunan Cuisine as an instance, "Farmhouse Fried Pork" (Fried Meat with Chili), the single starter dish of Hunan Cuisine, has successfully accelerated the step of Hunan Cuisine developing from Hunan province to the whole China.

Farmhouse Fried Pork has inherited advantages, such as combining pork meat, chili, addictive taste and a relatively fair price, has shown a cross-category development trend. According to Meituan Data, Farmhouse Fried Pork is now introduced from the menu of Hunan Cuisine to the menus of Sichuan Cuisine, Jiangsu and Zhejiang Cuisine, Cantonese Cuisine and other cuisines, even appears in some western food menus named as "Farmhouse Fried Pork Pizza" and "Farmhouse Fried Pork Burger".



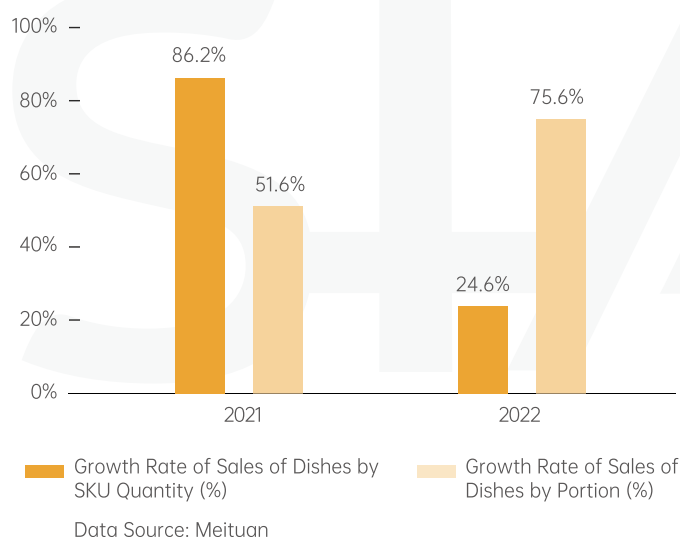
Distribution of Restaurants Supplying Farmhouse Fried Pork Recommended by Consumer Comments, by Cuisine (Portion)



Data Source: Meituan



Yimeng Stir-fired Chicken Dishes on Meituan from 2021 to 2022
Growth of SKU Quantity and Sales (Unit: Portion)



Farmhouse Fried Pork is particularly popular in fast food. According to the released data about the food and beverage takeaway orders of dish-covered rice products, Farmhouse Fried Pork witnessed a growth rate as high as 94%. On the other hand, driven by several brands of innovative Hunan Cuisine with Farmhouse Fried Pork as their most competitive dish, such as Chef Fei, Lanxiangzi, Nong Geng Ji, the segment selling points of Farmhouse Fried Pork are enriched. According to Meituan Data about Farmhouse Fried Pork, one of the best sellers on the platform, different segment selling points are adopted by various brands, from meat materials (pork, beef, abalone, etc.) to the chilies with different tastes in different colors (white pepper, hang pepper, organic

pepper and so on), to attract more consumers to have a try and also form a public awareness of Farmhouse Fried Pork in a larger scope.

After Chef Fei, a well-known brand of LanJi Hunan Cuisine, positioning its starter dish as "Farmhouse Fried Pork", another brand of Hunan cuisine, Chui Yan, launched a development strategy with its single starter dish, "Farmhouse Fried Beef". In addition, more brands of Hunan cuisine are emerging with the single starter dish of stir-fried meat, such as Lan Xiangzi, You Dianxiang, and Nong Gengji. The dishes of Fried Meat are sweeping the national catering market in China in various forms.

Yimeng Fried Chicken (also known as "Linyi Fried Chicken"), a typical dish of traditional fried chicken of Shandong cuisine, has expanded rapidly, which has also magnified consumers' awareness of Shandong cuisine. Yimeng Fried Chicken is stir-fried with native chicken over high heat, highlighting the source flavor of

Shandong Cuisine. With more advantages in chicken dishes, including good cost-effectiveness of chicken, large consumer group base, and mature and stable supply chain, two local chicken brands with over 10,000 stores, ZhengXin Chicken Steak and Wallace, have emerged on the competitive track of chicken food brands in China; meanwhile, Yimeng Stir-fried Chicken is expanding its scale rapidly.

Meituan Data also indicate that the sales of Yimeng Stir-fried Chicken online over the past two years witnessed a significant growth, and that the growth rate of the sales volume of chicken dishes (75.6%) is remarkably faster than that of the SKU number of the chicken dishes (24.6%). It can be also seen that there is strong demand at the user side.

Linyi Stir-fried Chicken has successfully launched its peripheral products by its own competitive strength, such as the Lay's Potato Chips in "Linyi Stir-fried Chicken Flavor" have also become a hot snack online.

Innovation selling points of dishes shifting from appearance to inheritance with a pursuit of visible freshness and quality food ingredients.



Seeking novelty and variation has always been the mainstream of the development and changes of Chinese cuisine. However, innovation is by no means making something completely different from the traditional dishes. Instead, we should adapt to the demand of our times and make innovation fit for the market. Over the past three years under the COVID-19 epidemic, the catering market environment has changed profoundly. The previous market in which customers poured into a so-called innovative restaurant for the sake of fulfilling their curiosity about the rampant innovation in Chinese cuisine has become a way of past. Today, Chinese cuisine is making innovation in a more pragmatic and more meaningful manner.

WeChat Moments have been created for 10 years. Accordingly, the public show of delicious food has gradually transferred from the static display with food photos in popular restaurants online to today's broadcasting with interactive videos in popular restaurant by professional eating hosts. Meanwhile, the public are displaying

popular food in a more comprehensive way, covering the color, flavor, appearance and even containers of a dish. From the perspective of communication or competition, the focused point of dish innovation has been shifted from appearance to inherence. In details, the public pursued the color, appearance or even curious point of a dish in the past few years; but now, people turned to sublimate ingredients and tastes based on their tribute to the tradition, that is, creating healthier and more delicious innovative dishes with more ingredients, better cost-performance and a better emotion-price ratio through three-dimensional design in consumers' acceptance level, pricing system, product profile and other aspects. Those innovative dishes not only follow the mainstream techniques of a certain cuisine, food ingredients and match of flavor, but also fit for the market trend.



Even the high-end Chinese delicate cuisine, the innovation points in terms of dish options have also begun to anchor the cost-performance. In addition, the players constantly improve the value sense of dishes in multiple aspects, such as ingredients, dish setting, artistic conception of dish, and presenting a story with a dish, etc. It is quite easy for consumers to perceive that the high-end fine catering brands in Jiangsu province, Zhejiang province and Shanghai have gradually launched more down-to-earth innovative dishes since 2021. In terms of ingredients, they pay attention to the fresh dishes in each season as well as the proper collocation of different ingredients; in terms of tastes, they pay attention to inheriting the classic tastes; in terms of service experience, they pay attention to supply appropriate and natural services to consumers. In a word, they try to make consumers feel they get their value for money.

In terms of the changes of flavor, the dishes with a stimulating heavy flavor, especially those with a spicy flavor, have experienced a round of cross-category improvement with the flow of population, the communication and integration of catering practitioners, especially chefs. Today, however, with the changes of consumption scenarios and consumers' awareness, people increasingly pay attention to the value of ingredients. The development of the dishes with a stimulating taste has gradually approached its peak and began to divide into more segments; on the other hand, consumers pursuing freshness and texture of food ingredients have become the source of the cost-performance and value sense of a dish. In recent years, the popularity of Taizhou Cuisine and Chaoshan Cuisine, the rising popularity of small size seafood and the dished in fruit flavor are all closely related to consumers' pursuit of the freshness and good quality of local cuisines.

Snacks & Fast Food

Basic Landscape of Snacks and Fast-Food Sector | The number of snack and fast food stores has reached half of the total number in catering field, and it remains a rapid growth rate in recent years.

Snack and fast food are a popular sector in China's catering market with increasing number of stores due to the rigid demand, high-frequent consumption and massive consumption of consumers. According to Meituan Data, the proportion of snacks and fast-food stores to the total catering stores in China rose from 34% in 2016 to 44.3% in 2020 and then up to 46.8% in 2021.

"A flower is a world; an ear of sand is a heavenly state". It is similar to the status of snack stores in the ecosystem in Chinese catering industry. Almost every place has its own most down-to-earth and most typical flavor snacks with the most local food flavor, such as Pot-stewed Fowl and Meat, Fried Snacks, Rice Noodles, Marinated Meat in Baked Bun, Hot and Sour Rice Noodles, Pan-fried Pork Bun, Strong-smelling Preserved Bean Curd, Pancake Rolled with Crisp Fritter, Donkey Burger and more.

Snack stores just need less investment, small operation area, and standard processing. Therefore, they can be expanded easily. In particular, rice noodles can be accepted well in tier-1 and tier-2 cities as well as in tier-5 or even tier-6 cities in China. Moreover, snack stores can be widely distributed, as they can be opened in skyscrapers, and also flourish at small streets or even lanes. In addition, they are operated in a retail system with competitive pricing. Accordingly, consumers can quickly make their food consumption decisions. In particular, consumers pay more attention to the cost-performance of food consumption after the hard time of COVID-19. The lower consumption per capita, small operation area and flexible operation style make snack stores suffered relatively slight impact during the pandemic, even maintain a rapid development during the past three years.

Fast food is also a catering category flying close to the ground with high rigid demand in the market and a large base of consumer groups. In the "four quadrants" of the catering and service industry,



namely, products, environment, services, and experience, the product elements of fast-food category account for the highest proportion. Consumers usually pay more attention to the following elements when making consumption decisions: whether the fast food is clean and hygienic, whether the price is affordable, whether it is tasteful, and whether the fast food can be served accurately and quickly; on the other hand, consumers just have a weak demand for services, consumption experience, etc. It is mainly the soft demand and premium that have been squeezed by the epidemic. Therefore, fast food category just affected slightly by the pandemic and even made bright innovations during COVID-19.

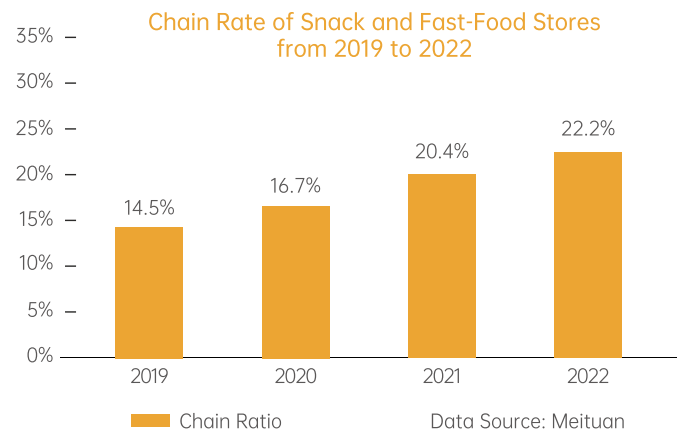


The chain rate of snack and fast-food stores rising year by year, running into the era of 10,000 chain stores.

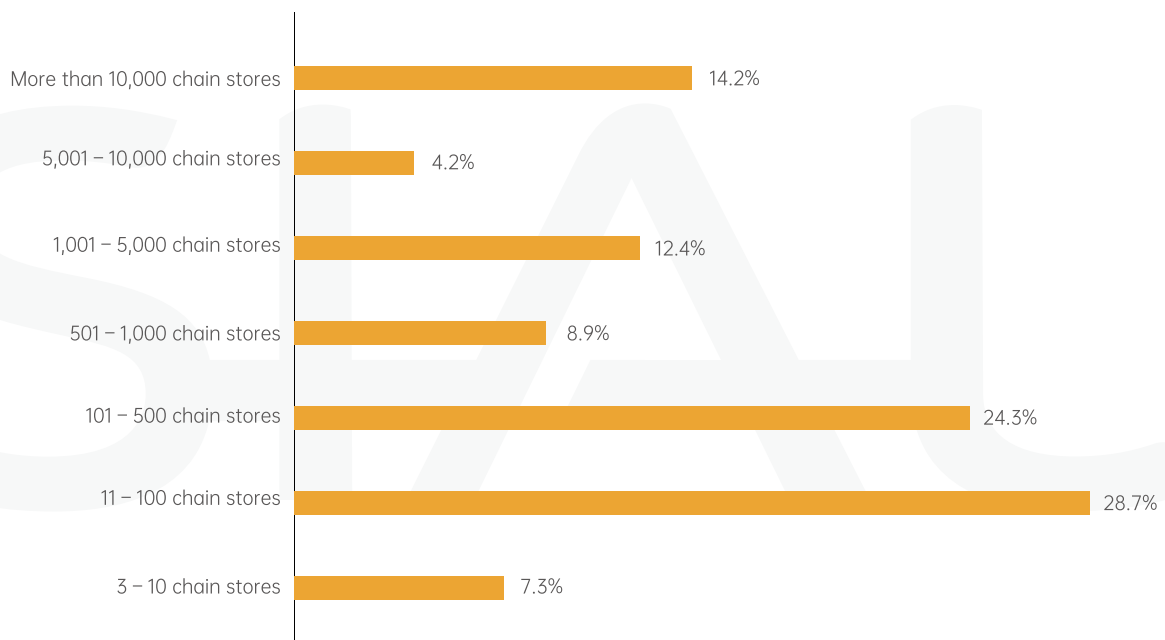
According to Meituan Data, the chain rate of snack and fast-food stores was rising year by year from 2019 to 2021, increasing from 14.5% in 2019 to 20.4% in 2021 and up to 22.2% in 2022, representing an increase of nearly 8 percentage points in those three years. From the perspective of the distribution of catering chain stores from 2018 to 2022, the number of snack and fast-food chain stores still ranked first, accounting for more than 51% of the total number of the catering chain stores.

In 2021, the COVID-19 prevention and control across China became normal. Meanwhile, the revitalization policies for local industry were implemented in many areas in China. In addition, snack and fast-food stores just need a low threshold, less dependent on chefs and easy management. Therefore, many beginners prefer to open snack and fast-food stores. As a result, many small and medium-sized snack and fast-food brands rise rapidly.

According to the data of the distribution of snack and fast-food chain stores by number and grade, the fastest growth in 2021 lies in the range between 11 and 100 chain stores, increasing by 4 percentage points in the proportion to the total catering chain stores. It is followed by the snack and fast-food chain stores in a scale of 3 to 10 stores, increasing by 2 percentage points in the proportion to the total catering chain stores.



Distribution of Snack and Fast-food Chain Stores by Quantity and Grade in 2021



Data Source: White Paper on China's Catering Franchise Industry 2022

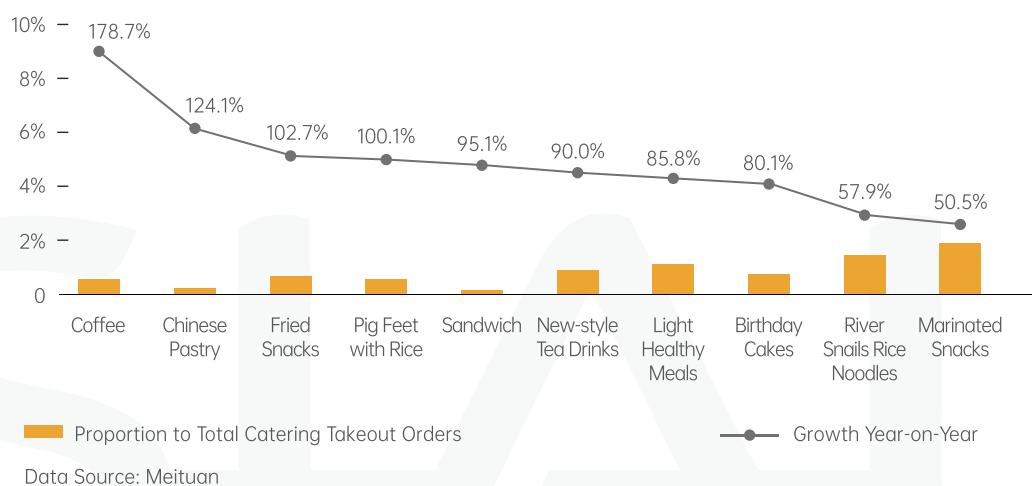
In recent years, snack and fast-food stores have concentrated in scale and ran into an "era of ten thousand chain stores" with its own strong points (high rigid and massive demand) and the external favorable conditions (popularity of mobile payment, mature supply chain, the catalyst of capital investment, etc.) and the need for the players to reshape their business thinking and upgrade their images.

The snack and fast-food chain store owners target the milestone of 10,000 stores. Before 2018, there was only one snack and fast-food chain store brand with 10,000 stores in China's catering market, Zheng Xin Chicken Steak. From 2018 to 2020, Wallace, Jue Wei, and MIXUE Ice Cream & Tea became three snack and fast-food chain store brands with 10,000 stores consecutively. Since 2020, spicy hot pot, noodle stores, and fried snacks have begun to realize their 10,000-store milestone.

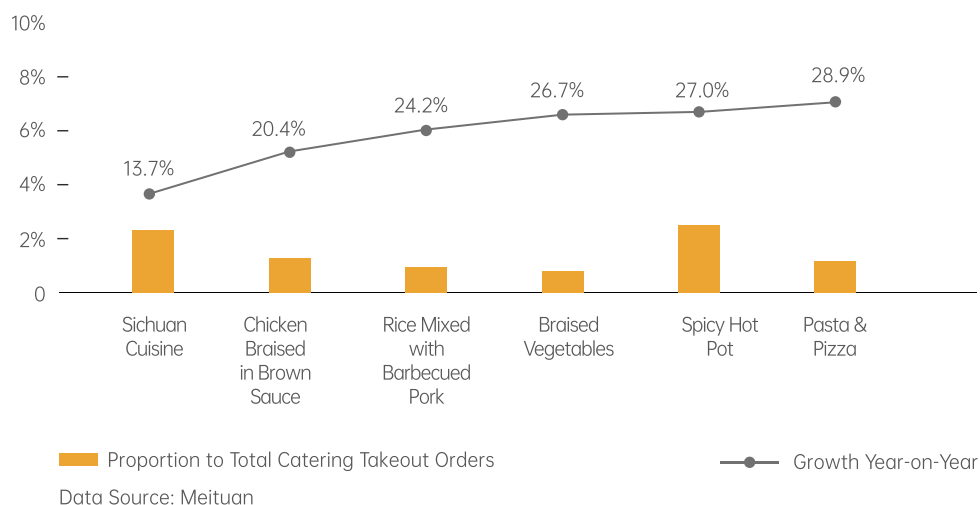
Recovery Highlights of Snack and Fast-food Stores | Active innovation and multiple growth of Chinese pastry and fried snacks.

According to the takeout order data on Meituan, Chinese snacks and fast food, such as Chinese pastry, fried snacks, and Pig Feet with Rice, showed active innovation and multiply growth. Chicken Braised in Brown Sauce, Rice Mixed with Barbecued Pork, Braised Vegetables, and Spicy Hot Pot also saw an increase over 20%.

Proportion and Growth of Typical Niche Categories at Higher Growth Rate to Total Take-out Orders on Meituan in 2021



Growth of Catering Takeout Orders on Meituan from 2020 to 2021



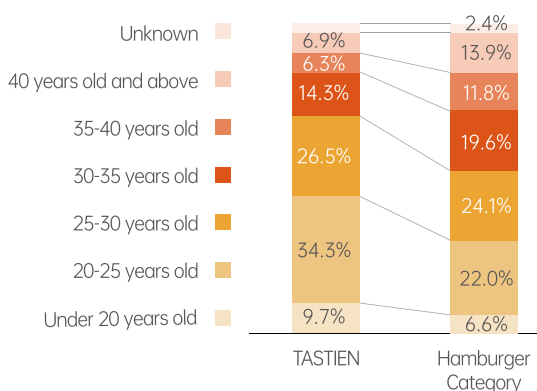
Chinese burger brands booming across China: blazing an evolution road for "Chinese burger" with the developing logic of western counterparts.

KFC and McDonald's, two western fast-food giants, entered the Chinese market in the 1990s. More than 30 years later, the fundamental market of hamburger consumption has already been educated. The huge scale of this competition track means the opportunities for differentiated and localized brands in their segments.

In such context, the segments of the Chinese burger are heating up in recent years. As of April in 2023, Tastien, the top brand of the Chinese burger has opened more than 3,500 stores across China. According to Meituan Data, the consumers for Tastien are younger than the general consumer group of burger products, with 44% of the young consumers less than 25 years old, more than that of the general data (15%). Moreover, Tastien is obviously developing in the lower-tier markets, with more than half orders (51.1%) generating from tier-3 or even lower tiered cities. The rapid expansion of Tastien can be explained with its rich flavor and relatively good cost- performance. In this way, Tastien has seized more opportunities among young consumers in the lower-tiered markets.



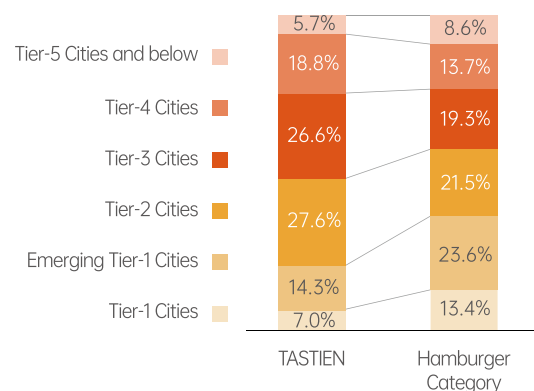
TASTIEN vs Hamburger Category
Age Distribution of Users of Take-out Transaction APP



Note: The statistical period is as of December 2022.

Data Source: Meituan

TASTIEN vs Hamburger Category
Distribution of Quantity of Takeout Orders by City Tier



Data Source: Meituan Takeout



The Chinese burger gained unprecedented popularity since Tastien has been widely noticed in the Chinese market. More Chinese innovative burger brands have been created, such as Chu Zheng, Da Da Fang Fang, and Lin-burger; Xiang Duo Wei Hamburger and Fried Chicken, a fast-food chain brand owned more than 2,000 stores in China, has transformed its products into "the Chinese burger"; Jia Guo Long Air Bun, a Chinese fast food project under Xibei, was officially renamed as Jia Guo Long Chinese Burger in mid-April, and its slogan has been upgraded as "Delicious Chinese Burger".



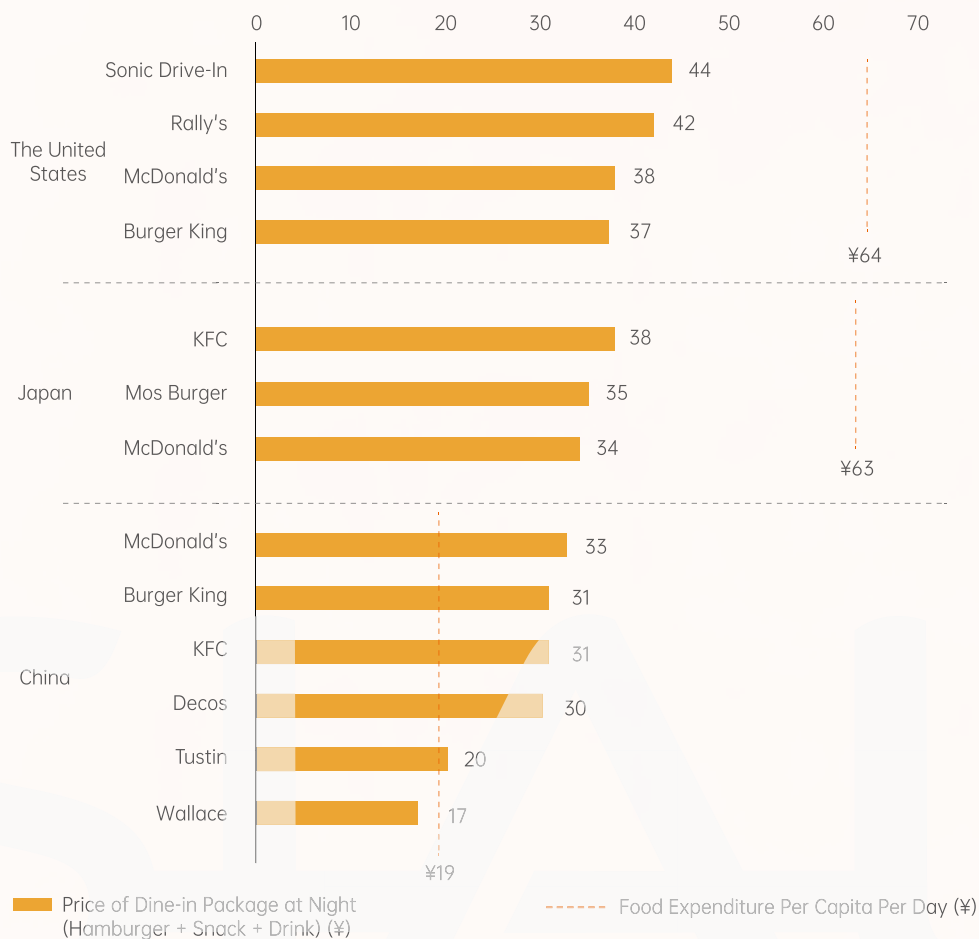
According to the data released on qichacha.com, there are nearly 100,000 domestic enterprises related to hamburger business existing in China as of the mid-March, which are mainly concentrated in Shandong, Henan, Jiangsu, and An'hui etc. provinces. From 2017 to 2023, there were 21,200, 22,900, 22,600, 24,300, 19,800, and 12,500 enterprises registered with hamburger-related businesses respectively in China.

Chinese hamburger brands are learning from the years of mature business models from their western counterparts in store model, operation system and other aspects. For example, Jia Guo Long Chinese Burger is designed with the attribute of "taking the burger away by hand as an efficient fast food" in line with the product structure of the western hamburger. In the rigid principles of grabbing by hand, large meat stuff, inexpensive price, and good taste, Jia Guo Long Chinese Burge constantly create more Chinese burger products to satisfy Chinese consumers.

There are still great possibilities for Chinese burger brands when comparing the positioning characteristics of hamburger products in overseas markets.



Distribution and Comparison of Package Price and Expenditure Per Capita of Representative Hamburger Brands in the United States, Japan and China



Notes: 1. Package Price: The list price of the basic dine-in package (chicken drum hamburger package) of a certain hamburger brand in its business country is adopted and converted into the amount in RMB.

2. Food Expenditure Per Capital: It is calculated based on the related data released by the National Bureau of Statistics of China, the Bureau of Labor Statistics of the United States, and the Ministry of Internal Affairs and Communications of Japan.

Data Source: Meituan

According to Meituan Data, it can be seen that the prices of the hamburger set of the top Chinese burger brands are significantly lower than the daily expenditure per capita on food with the anchor point of the food expenditure per capita per day on hamburger products in the United States and Japan.

At present, the daily food expenditure per capita in China is less than RMB 20, accounting for 1/3 of the daily food expenditure per capita in the United States and Japan. However, the prices of the hamburger set of the top Chinese burger brands all fall down the scope within RMB 30, much higher than the anchor point. The prices of the hamburger set of the two Chinese brands (Tastien and Wallace) are in line with the daily food expenditure per capital in China. Therefore, it can be seen that there is still a vast space for the cost-effective hamburger brands developing in the Chinese market in the coming years.

IPO of top rice fast food brands, upgrading quality, and popular trend of freshly stir-fried dishes.



According to the data released on canyandata.com, there have been 2.16 million rice fast food restaurants in China by the end of 2022. The relatively large store base and the demand of the large number of consumers make the rice fast food restaurants facing fierce competition with active innovation.

IPO of Top Brands

One of the hot spots on the rice fast food competition track since 2022 should be the listing plans of three top rice fast food brands in the Chinese market, Country Style Cooking, Original Chicken, and Old Uncle.

At the very beginning of 2022, Country Style Cooking submitted its prospectus to Hong Kong Stock Exchange to initiate IPO process; In July 2022, it submitted the form documents again. Country Style Cooking adopts the direct operation mode. It has owned 1,234 stores, including 590 stores under the brand of Country Style Cooking stores and 644 stores under the brand of Rice Mr.

In May 2022, Original Chicken submitted its prospectus to Shanghai Stock Exchange for listing on the main board. Up to now, Original Chicken has opened 1,119 stores; In July 2022, Old Uncle submitted its prospectus for listing on the domestic Share-A main board. At present, Old Uncle has 410 stores.



Upgrading Quality and Popular Trend of Freshly Stir-fried Dishes

Rice fast food is the only big business sector with upgrading quality but unscaled pricing. The upgrading quality of this business sector can be seen from four major aspects:

Firstly, consumers pay more attention to food safety and health as well as the dining experience;

Secondly, Chinese fast-food has gradually returned to stir-fry operation in open kitchen. Some Chinese fast-food brands, such as Rice Mr., Xiao Nv Dang Jia and Wuhuijiang, launched “freshly stir-fried fast food” closer to the flavor prepared in the traditional “Chinese pot” as their competitive products with an attempt to “make fast food in dinner style”. Such attempt of many Chinese fast-food brands, despite the restriction in efficiency, reflects the relatively large demand for freshly prepared meals with the traditional Chinese pot in the market.

Thirdly, the store environment has been gradually upgraded from a simple style to a casual style, more than clean and tidy.



Fourthly, each Chinese fast-food brand is pursuing to create their own small starter dishes with great cost-performance and good quality. Rice fast food is evolved from local cuisine. Local cuisine is usually subdivided in two major modes: transformed into single leisure dish; transformed into meal-style fast food. It can be seen from the ranks of rice fast food brands in terms of store scale and the net growth of stores that the top ones are developing in the mode of single starter dish or very popular dishes. For example, Yang Ming Yu, the largest rice fast food brand, depends on its competitive dish, Chicken Braised in Brown Sauce, while the second largest rice fast food brand at the first rank in terms of the growth rate of stores, Wei's Fish, depends on its competitive dish, Pickled Fish.

Overview of Some Freshly Stir-fried Fast-Food Brands			
Brand	Number of Stores	Time of Establishment	Main Distribution Regions
RICE MR.	640+	2011	Hubei, Shanghai, Sichuan, Hunan
12 Hunan-flavor Freshly-fried Rice Contained in Wooden Barrels Supplied by XIANG KOU FU	60+	2017	Jiangsu, Zhejiang, Shanghai
YAN XIAO WAN • Freshly-made Super Stir-fried Dishes	50+	2018	Jiangsu, Beijing, Shanghai
Xiao Nv Dang Jia	30+	2017	Guangdong, Jiangxi
Wuhujiang • Freshly-made Stir-fried Fast Food	30+	2006	Guangdong
BAO LI LI Freshly-made Stir-fried Dishes	25+	2019	Hunan
LIANG CAN XIU Stir-fried Dishes Freshly Made by Chef	12	2014	Guangdong
YI TAI CHANG	8	2014	Guangdong

Data Source: Public information (statistics data as of April 2023)





Direct-sale Franchise

In 2022, Original Chicken, a local fast-food brand in direct operation mode for 20 years, opened its franchise access to the market. Over the past two years, more direct-operating fast-food brands have opened their franchise access, such as Claypot King (its former name was Zai Huang Bao), which witnessed good development since it opened its franchise access to the market.

Franchise is the most efficient business model. The "quick-move franchise" featured with "selling brand" and "ripping off" is being replaced by the "direct-sale franchise" featured with exporting systems and supply chain capacity. Chain franchise is gradually shifting from the "despised" model to the "respected" model.

In the Chinese market, no low added-value brands can support the standard cost of direct sale model. According to the survey of Fanqie Capital, about 30% difference in operation cost lies in manpower, taxes and social insurance. In addition, franchise model can also greatly mobilize the enthusiasm, capital and social resources of franchisees. Franchisees can jointly operate the stores under the same brand with clear division of working roles. In the coming years, no low added-value fast-food brands can be exempted from franchise model. Of course, the franchise model mentioned herein is by no means any quick move to realize economic returns, but really understanding the nature of chain management.

In conclusion, the characteristics of the rice fast food competition track in the current Chinese market can be summarized as the fast development of franchise of single starter dish, direct-sale brands breaking through the target of a thousand of chain stores, freshly stir-fried fast food becoming popular, and IPO of the top three brands. In a word, the bowl of Chinese fast-food rice is really popular now.

Freshly-made Drinks

General view of the beverage sector | 480,000 new-style tea stores and 130,000 coffee shops.

Freshly-made drinks are mainly consisted of two categories: new-style tea and coffee.

According to the 2022 New-style Tea Research Report released by China Chain-Store & Franchise Association (CCFA), the new-style tea market is in the first half of its mature period in 2022. By the end of 2022, there have been about 480,000 new-style tea stores in the Chinese market.

As of April 2023, MIXUE Ice Cream & Tea ranked the first with 23,966 stores followed by Good Me, with 6,980 stores. The market pattern of the new-style tea sector is increasingly clear, and the head effect of the new-style tea brands is obvious to observe.

In addition, according to Meituan Data, the chain rate of the new-style tea brands in 2022 increased to 44%. New-style tea drink, an emerging sector shaping its scale within 10 years by the young participates less than 30 years old on average, has created a strong demand in stages among its customers and occupied an important position in the form of chain management in the Chinese consumer market.

As for coffee shops, according to the data released on canyandata.com, there were 130,000 coffee shops across China in 2022, and this sector witnessed growth for three consecutive years. According to the Report on Market Demand and Investment Planning and Analysis of China's Coffee Industry released by Prospective Industry Research Institute, the average annual growth rate of coffee consumption in China reached 15%. It is expected that the scale of China's coffee market will reach RMB 217.1 billion.

Just five years ago, there was hot debate over the topic whether "Chinese people would drink coffee" was a false proposition or not. In recent two years, coffee remained as a popular drink in the Chinese market and billions of hot funds flew into this sector. Almost all the leading tea brands are incubating their own coffee brands, and the regional fine coffee shops are also exploring their road to realize scale development.

Top 5 Cities by the Number of Coffee Shops		
Rank	City	Number of Stores
1	Shanghai	8000
2	Beijing	5000
3	Guangzhou	5000
4	Chengdu	4000
5	Shenzhen	4000

Coffee Category in 2019 – Number of Coffee Shops in 2022

	2019	2020	2021	2022
Number of Stores	110,000	110,000	120,000	130,000

Data Source: canyandata.com Note: Data available as of the end of 2022

From the perspective of the urban distribution of coffee shops, there are 7,990 coffee shops in Shanghai, far more than that of New York, London and Tokyo, etc. Therefore, Shanghai is the city with the most coffee shops in the world. There is a huge space for the coffee market to imagine not only in high tiered cities, but also the coffee market in the lower-tier markets. At present, there are nearly 40% coffee shops are distributed in tier-3 or even lower tiered cities in China. So, the demand for coffee in the lower-tier markets has not been touched thoroughly.

The freshly-made coffee is now in the stage of incremental development. The annual coffee consumption per capital in the United States and Japan is 313 cups and 176 cups respectively, while it is only 1.6 cups in China and just 3.8 cups even in tier-1 and tier-2 cities. Therefore, there is a huge space in the Chinese market for coffee shops to develop further.

Recovery Highlights of Drink Products | Higher price-performance ratio and price-emotion ratio of new-style tea drinks.

Price Ranges of New Products Launched by Typical Tea Drink Brands in 2022



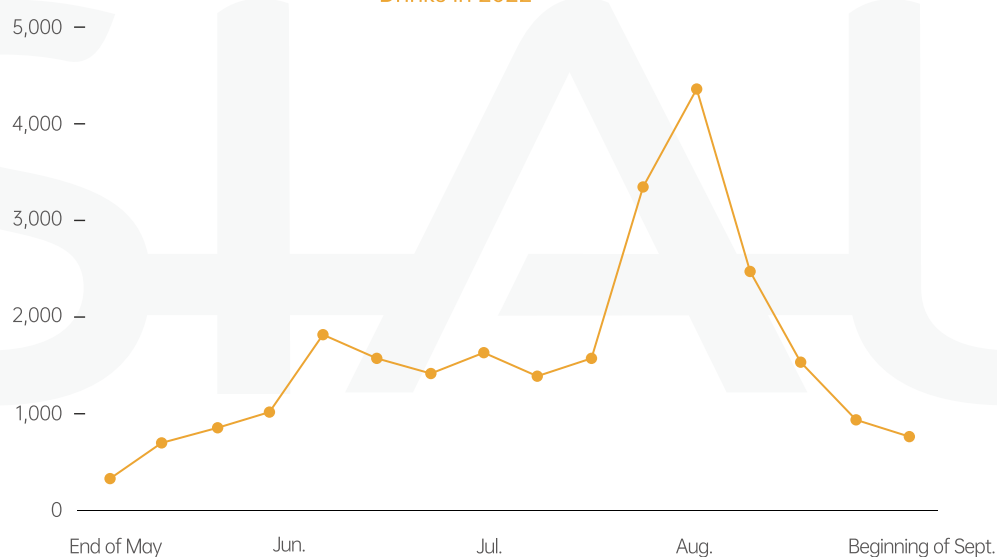
Data Source: Kamen (samples of tea drink brands = 27; new samples = 1,434)

Higher price-performance ratio and price-emotion ratio became significant development characteristics of new-style tea drinks in the post-COVID-19 era.

According to the Report on Beverage Industry and Beverage Products in China 2023 released by Kamen, more than 1,000 new-style tea drinks under 27 brands were sampled in 2022 and more than 900 drinks (63.7% of the total) were priced lower than RMB 20, mainly at RMB 16. There were only 4% drinks priced over RMB 30. Most of those higher-price drinks are usually expensive in their ingredients or sophisticated processing and are often time-consuming products.

In March 2022, HEYTEA, a top brand of new-style tea drinks, cut its prices and announced the drink price more than RMB 30 would no longer be listed on its menu. Led by HEYTEA, NAIXUE Tea, LELECHA and other top brands of new-style tea drinks also announced to cut price and jointly bid farewell to the era of the unit price of RMB 30. Instead, the drinks at the cost between RMB 15 and RMB 25 have become the main products, accounting for more than 60% of the total. Following the tide of price reduction in new-style tea drinks, the whole catering industry coincidentally tuned to the median price range.

Consumer Search Index of BOTTLED JOY Container in High Season of Tea Drinks in 2022



Data Source: Meituan

On the other hand, good price-performance does not simply equal to a lower price, but optimized quality and more economic. In other words, it means better quality and experience under the precondition of the unchanged price or a lower price under the precondition of the similar quality or consumption experience. "More quantity at the same price" and "better quality at the same price" also reflect good price performance.

Bottled Joy Container swept the Chinese market in the summer of 2022, for its large barrel makes consumers feel more "satisfied" and a greater "sense of gain". According to Meituan Data, more than 4 million Bottled Joy Container drinks were sold on Meituan takeaway platform in 2022, of which the sales volume from June to August accounted for half of the annual sales. This hot product perfectly reflects the two major characteristics of tea drinks: the increasing significance of price performance, and increasingly short duration of popularity.

Coffee consumption: Entering the outbreak period from the incubation period and expanding from higher-tier cities to lower-tier cities.



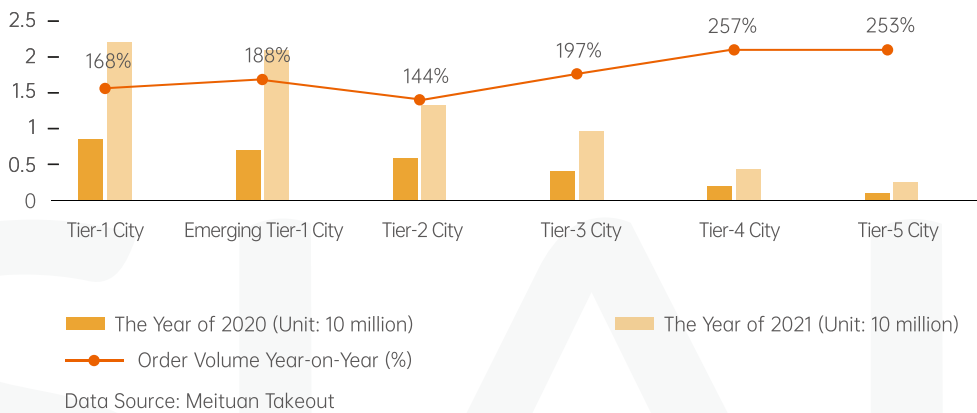
As one of the important indicators of the consumption vitality of a city, coffee is the first category experiencing a substantial growth in 2023 and became a "barometer" of consumption recovery. According to Meituan Data, the delivery orders for coffee drinks from January to February, 2023 increased by 101.9% compared to the same period last year, and the search volume for coffee products increased by 78.1% year on year, ranking TOP 1 among catering products.

Coffee is a typical single item with higher consumption frequency and standard functions. With the education of coffee chain brands in the market, coffee has gradually changed its label from a "fashionable drink" to a "daily drink" and entered a period of significant growth.

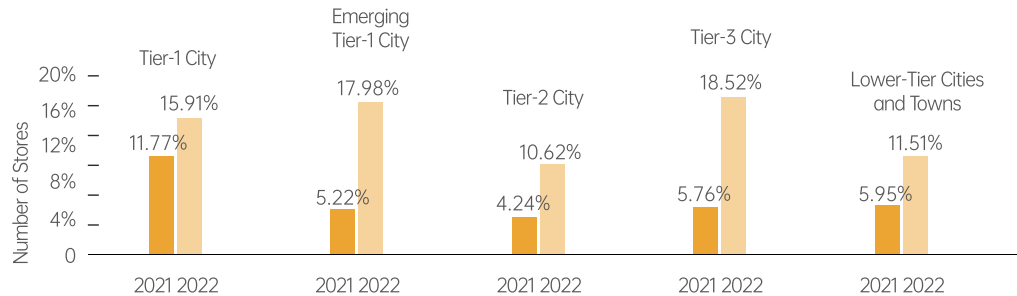
Over the past year, consumption of innovative drinks continued to sluggish, and investors in the primary market increasingly cautious in "investment". However, coffee segment experienced a completely different performance and attracted many capitals. According to the data released on qichacha.com, there were 31 financing events related to coffee brands in 2022, including the hot projects (such as Seesaw Coffee and Chalatte Coffee) as well as the emerging brands (such as Bestar Coffee and Coffe Bear). In addition, according to media reports, there have been 11 financing cases in the coffee segment in 2023 by the end of March, and Tasogare and Solgarzo received financing funds of more than RMB 100 million in March. By contrast, there were just 20, 17 and 21 financing events concerning coffee brands in the Chinese market in 2019, 2020 and 2021 respectively, with the transaction value of RMB 1.51 billion, RMB 1.02 billion and RMB 5.921 billion respectively.

Meanwhile, “cross-field operation of giant brands” is one of the hot topics in the coffee sector. China Post, Li Ning and Go Believe have announced to enter the coffee market to offer coffee drinks, and HUAWEI has applied for registering a trademark of “absorbing the energy of the universe through a cup of coffee”.

Distribution of Takeaway Coffee in Cities Ordered on Meituan from 2020 to 2021, by City Tier



Number of Coffee Shops Offering Freshly-brewed Coffee on Meituan Year-on-Year from 2021 to 2022



Data Source: Meituan Cuisine



New Luckin Coffee reflected the growth in coffee segment with excellent performance after decoupled with the past. According to the latest financial reports of New Luckin Coffee, the total annual net revenue of Luckin Coffee for 2022 fiscal year reached RMB 13.293 billion, increasing by 66.9% year on year; the annual operating profit RMB 1.156 billion; there are 8,214 Luckin Coffee shops across China as of December 31.

The emerging giant brand in tea drink market, MIXUE Ice Cream & Tea, has also entered the coffee segment. Its subsidiary brand, Lucky Café, has opened 2,169 shops as of April 15. It offers American style coffee at a price of RMB 5 per cup and Latte at a price of RMB 6 per cup, focusing on upgrading coffee consumption in the lower-tier markets.



NOWWA Coffee and Cotti Coffee have opened 1,229 and 1,048 shops respectively.

All the coffee drink brands, although their pace of expansion varies, all focus on "the lower-tier markets".

According to the Report on Development of Freshly Brewed Coffee Drinks in China 2022 released by Meituan, the number of freshly brewed coffee shops increased significantly, of which tier-3 and new tier-1 cities witnessed the fastest growth in this regard, especially the former one saw a growth of nearly 19% with a great market potential. In terms of the growth rate of coffee orders, the lower-tier markets witnessed the fastest growth, the coffee orders in tier-3 cities nearly doubled year on year, and the coffee orders in tier-4 and tier-5 cities even witnessed a growth rate as high as more than 250% year on year.

As the coffee shops became saturated in tier-1 and tier-2 cities in China, the head coffee chain brands, represented by Luckin Coffee, are accelerating their strategy of "sinking to the lower tier markets". In January 2023, Luckin Coffee announced to launch a new round of franchisee recruitment plan, which covers 80 cities in 15 provinces across China, including some tier-3 and tier-4 cities, such as Qinzhou City and Sanmenxia City.



Recovery of Catering Supply Chain

- Recovery of Ingredient Supply Chain
- Recovery of Beverage Supply Chain

Recovery of Ingredient Supply Chain

Ingredient supply chain recovering with good expectations driven by sound supply and huge demand.

Listed / IPO Companies in Ingredient Supply Chain since 2020 (incomplete statistics)					
Company	Listing Date	Main Products	Revenue in 2021 (Unit: RMB 100 million)	Net Profit in 2021	Current Market Value in Total
XIAN MEI LAI	In the process of listing	Aquatic Prepared Food	8.5	0.9	/
Bolex Foods	2022/7/15	Compound seasoning	15.7	1.9	114.3
Ecolovo Foods	2022/1/18	Fresh duck meat and conditioning products	162.8	1.2	78.5
Spring Snow Food	2021/10/13	Fresh Chicken and conditioning products	20.2	0.6	30.2
Qianweiyangchu	2021/9/6	Rice and noodle products and prepared dishes	12.7	0.9	55.9
Namchow Food	2021/5/18	Baking grease	28.7	3.7	88.8
WEIZHIXIANG FOOD	2021/4/27	Prefabricated food	7.5	1.3	61.5
LIGAO FOODS	2021/4/15	Frozen baking	28.1	2.8	156.0
Zuming Bean Products Co., Ltd.	2021/1/6	Bean products	13.3	0.6	33.3
Panda Dairy	2020/10/16	Condensed milk	8.5	0.8	26.6
Shandong Fenxiang Co., Ltd.	2020/7/17	Fresh chicken and conditioning products	44.2	0.5	20.2

Data Source: Public materials

Ingredient expenditure accounts for 30% to 40% of the total, which is the main cost of the catering industry. As for dinner products, ingredient expenditure accounts for a slightly lower proportion to the total cost due to some service premium, while ingredient expenditure takes a higher proportion to the total cost of snack and fast-food products because the main products in this sector are snacks and fast food with a lower serve premium. In the catering industry in a scale of about RMB 5 trillion, the market scale of the ingredient supply chain is about RMB 1.5 trillion to RMB 2 trillion.

The catering industry keeps expanding, the chain rate in the industry is also increasing, and the catering enterprises increasingly demand for standard operation, reducing costs and increasing economic returns, the ingredient supply chain in the catering industry has a promising outlook with the dual factors of sound supply and good demand, and the industry is expected to have a long-lasting dividend period.



At present, the ingredient supply chain has formed a large-scale industrial chain, which mainly covers condiments, frozen food, prefabricated food and baking food. According to a report released by ESSENCE SECURITIES, the market size of frozen food in 2021 increased by 26% year on year. Currently, the market pattern is still scattered, with the good expectation of a more concentrated business of the leading frozen hot pot ingredients represented by Anjoy.

The penetration rate of prepared vegetables is expected to reach 15% to 20% in 2023, and the prepared vegetables enterprises are accelerating their steps of laying out development strategies. The market scale of baking

products is expected to exceed RMB 300 billion in 2023. From 2021 to 2025, the CAGR of the baking sector was 6.20%. There is space for both frozen baking materials and baking materials to realize multiple growth.

Many companies in the four sectors of ingredient supply chain have been listed on stock markets, such as Yihai (hot pot base), Anjoy (frozen hot pot base), Gorgeous Flavor (condiment) and Guolian Aquatic Products (aquatic products and prefabricated food), etc. Since the outbreak of the COVID-19, many companies have been listed in the capital market or launched IPO (such as Qianweiyangchu and Bole Food), demonstrating the sustainable and stable vitality of the ingredient supply chain.

Integrated development of enterprises in ingredient supply chain at both B end and C end supported by digitalization.

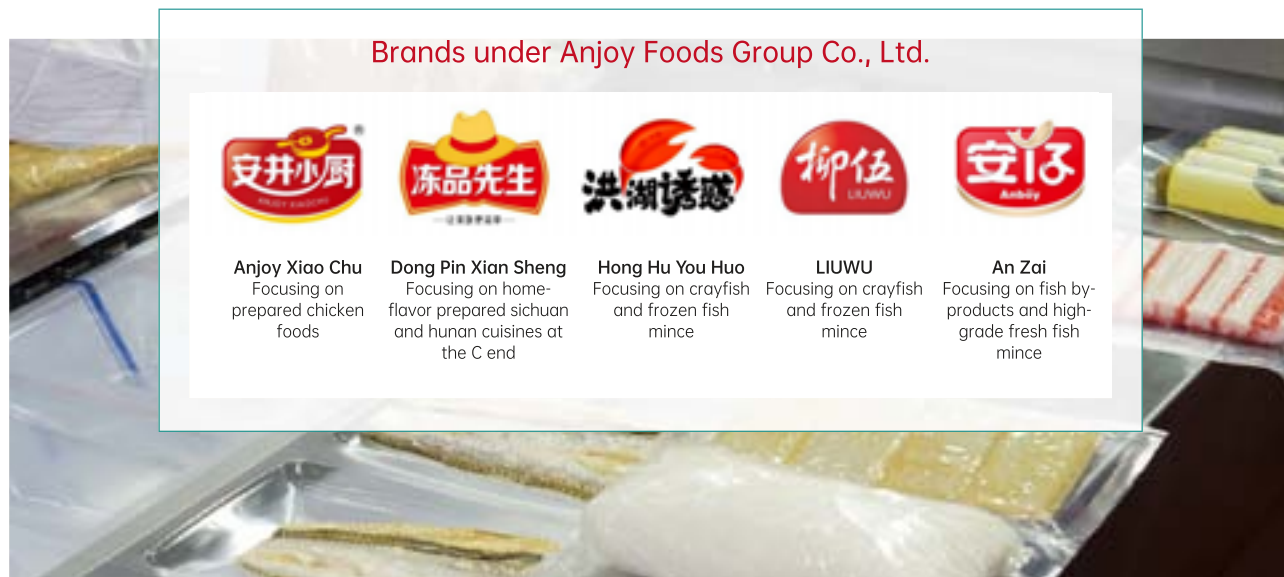
The outbreak of the COVID-19 makes the online and digital penetration of the catering industry press the fast forward key. The whole chain of catering industry has gradually realized commodity online, customer online and user online. The upstream ingredient supply chain, the "hidden hero" behind the catering brands meet a new opportunity for its integrated development at both B end and C end.

On the one hand, the ingredient suppliers in the upstream continue to expand the supply volume at the B end, continuously establish scale barriers through conveying raw materials for catering enterprises, and constantly

optimize their cost structure. On the other hand, those suppliers can directly reach a large number of users at the C end with the help of e-commerce platforms online and media flow platforms. How to make use of decades of precipitation to build up a brand at the C end is actually a new opportunity for the food supply chain to offer high-quality ingredient blessed by the progress of these times as well as technological advance.

For example, Sunner, the chicken supplier for Yum China, McDonald's and other fast-food chain brands, has positioned itself as the "central kitchen for catering customers" at the B end as well as a "convenient food expert serving for families" at the C end. It has successfully created several single starter products with annual sales of RMB 100 million, such as "Du Du Wing", "Crispy Fried Chicken" and so on. In 2022, Sunner achieved operating revenue of RMB 16.817 billion, of which its sales at the C-end exceeded RMB 1.4 billion, with a year-on-year growth of 64%.

On April 23, 2023, Anjoy Food released Anjoy Annual Report 2022. According to the Report, it realized a revenue of RMB 12.183 billion, increasing by 31.39% year-on-year compared with RMB 9.272 billion in the previous year; Its net profit reached RMB 1.101 billion, increasing by 61.37% year-on-year compared with RMB 682 million in 2021. From the perspective of food products, surimi products, dish products, noodles and rice products, meat products, agricultural and sideline products, leisure food and other businesses all achieved growth to different extent. Dish products, the second largest business of Anjoy Food, as well as agricultural and sideline products and leisure food all grew at a rate of more than 100%. As for the reasons for the double increase in revenue and net profit, Anjoy Food attributed it to its product strategy of "mainly depending on staple food and launching dinner dishes", its three-way business strategy integrating frozen hot pot ingredients, frozen noodles and rice products and frozen prefabricated food, and its channel strategy of "balancing the B end and the C end and developing in all channels" to comprehensively improve the competitiveness of its major single star items throughout channels.



New franchise models supporting the growth of ingredient supply chain.

Except for depending on the third-party professional supply chain, more and more catering enterprises build up their own supply chains. In particular, over the past 3 years, the chain franchise model has been boomed, and some restaurants which originally insisted on direct operation began to try franchise model. For example, Original Chicken (a Chinese chicken fast-food brand), HEYTEA (a head tea drink brand) and Zhang La La Lanzhou Hand-shredded Beef Noodles, etc. Unlike the last generation of quick-move franchise model, which mainly “sells brands”, the new generation of franchise model exports operating system and self-own supply chain. In this new model, the brand mainly earns money from the supply chain, which greatly promotes the development of the ingredient supply chain.



For example, 97% of MIXUE Ice Cream & Tea's total revenue of RMB 10.3 billion in 2021 is generated from sales of food ingredients, packaging, equipment and facilities, and operating supplies to franchisees. Accordingly, MIXUE Ice Cream & Tea established Henan Da Ka Food Co., Ltd. as early as in 2012 and set up an independent research and development center and a central plant; In 2014, it set up a warehousing and logistics center and implemented the logistics policy of delivering materials for free. This move marks the beginning of MIXUE Ice Cream & Tea's national reach and also laid a good foundation for its expansion in the following years. In August 2021, MIXUE Ice Cream & Tea also established Chongqing Xue Wang Agriculture Co., LTD., which mainly lays out strategies in the upstream manors to ensure supply quality, further reduce costs and control its bargaining power with upstream suppliers. At present, MIXUE Ice Cream & Tea has established an intelligent manufacturing industrial park occupying an area of 252 mu and a completely automated production workshop of 130,000 square meters, ensuring independent production of the core ingredients for its freshly-made drinks and ice cream products.

Similar to MIXUE Ice Cream & Tea, Yang Guofu Spicy Hot Pot realized more than 90% revenue from the sales to franchisees. Moreover, Yang Guofu also invested heavily to build up its supply chain and established a self-operated plant with 43,991 square meters in Chengdu, so as to ensure its independent production of core seasonings. Juewei also realized nearly 90% of its total revenue from the sales of marinated food to franchisees. It has Jue Pei supply chain within a scope in a radius between 300 and 500 kilometers and a supply chain network with 21 production bases (including two bases under construction) as its delivery hubs

nationwide, so as to ensure “daily supply to stores” and guarantee delivery of fresh products for its franchisees.

For the development of chain catering brands, a good supply chain is a necessary pre-condition. Self-owned supply chain or cooperating with excellent suppliers of customized ability not only ensure the stable quality of dishes, stable supply and cost advantages, but also create differentiated product barriers.

For example, Guo Quan Shi Hui launched its IPO process in April 2023. The company has owned nearly 10,000 stores. In order to secure the supply chain and maintain its competitiveness of “tasty and inexpensive” products in the terminal stores, Guo Quan started to lay out its supply chain featured with “self-owned plants in producing places and self-owned parks in selling regions”. In addition, it invested in a number of supply chain enterprises, such as Chengming Food, a tomato seasoning enterprise, DAI XIA JI, an enterprise focusing on the major single star product of shrimp paste, and Heyi Meat Industry Co., Ltd., a beef supplier, etc.

Another example, Da Long Yi Hot Pot, which has transformed itself into a supplier and established a supply chain company, Yuan Fang Yun Tian at a time when its hot pot stores are booming. The supply chain company now serves more than 10,000 catering stores; it also assisted Da Long Yi in exploring incremental market in an innovative retail model during the pandemic. In addition, Xiao Long Kan and NAN Hot Pot also have built up their own unique advantages in the upstream of the industry chain.



Recovery of Beverage Supply Chain

Explosive growth of beverage chain stores and intensive IPOs of the beverage enterprises in the supply chain.



According to Meituan Data, the chain rate of beverage brands reached 44% in 2022, ranking the first among all the food and beverage categories.

The concentration of the new-style tea drink chain stores at the front end also makes the supply chain enterprises behind realize a rapid growth. Over the past three years, many players have entered the capital market before their major customers.

At the beginning of 2021, Jiahe Foods Industry Co., Ltd., a giant supplier of non-dairy creamer, was one of the representatives of those players. Its major customers include MIXUE Ice Cream & Tea, Good Me, Auntea Jenny, CoCo and other new-style tea drink brands.

On February 2, 2023, Tianye Innovation Corporation, a supplier of fruit juice and cubes for new-style tea drinks, also rang the bell and was listed on Beijing Stock Exchange. According to the changes of its largest customers over the past years and its prospectus, the top five customers of Tianye Innovation Corporation in 2019 just included two food and beverage brands, Nongfu Spring and Coca-Cola. Since 2021, NAIXUE has become the largest customer of Tianye Innovation Corporation, with the purchase amount increased to RMB 92.0601 million from RMB 25.6489 million in the same period of last year.

By the first half of 2022, NAIXUE, Tea Baidao and Alittle-Tea contributed over half of the total revenue to Tianye Innovation Corporation, bringing revenue of about RMB 55 million, RMB 52.59 million and RMB 26.8 million to the company respectively. In the first half of 2022, Tianye Innovation Corporation realized a revenue of RMB 212 million.

Listed/IPO Companies in Beverage Supply Chain since 2020 (partial)

Company	Listing Date	Main Products	Revenue in 2021 (Unit: RMB 100 million)	Net Profit in 2021	Current Market Value in Total
FRESH-EXTRACTOR	In the process of listing	Granule ingredients and jam for drinks, etc.	8.5	0.9	/
DELTHIN	In the process of listing	Thick pulp and flavored sugar for fruit and vegetable juice, etc.	5.3	1.0	/
Tianye Innovation Corporation	2023/2/2	Condensed fruit juice, NFC, etc.	4.6	0.7	13.6
Sanyuan Biotechnology	2022/2/10	Sugar substitutes	16.4	5.4	78.5
JIAHE FOODS	2021/4/30	Non-dairy powder	22.7	1.5	60.6
Bailong Chuangyuan	2021/4/21	Prebiotics, fine food fiber, and sugar substitutes	6.4	1.0	41.5
Zhejiang Huakang Pharmaceutical Co., Ltd.	2021/2/9	Syrup, sugar substitutes	15.9	2.4	67.4
Hi-Road Food Technology	2020/12/2	Vegetable cream	7.4	1.1	35.3
Panda Dairy	2020/10/16	Condensed milk	8.5	0.8	26.6
ANDELI	2020/9/18	Condensed fruit juice	8.6	1.6	61.2
SCITOP BIO	2020/7/27	Additives and probiotics for compound food	3.6	1.1	45.5
Jindan Lactic Acid Technology	2020/4/22	Lactic acid and lactate, etc.	14.3	1.3	42.7

Data Source: Public data

Freshly-brewed coffee in the Chinese market entering a period of rapid development, Yunnan's coffee industry on the rise, and its characteristic dairy products being popular with consumers.

China's coffee market is entering a stage of rapid development. According to the Monitoring Report on Big Data of Development and Consumption Demand of China's Coffee Industry from 2022 to 2023 released by iiMedia Research, China is the fastest growing coffee market in the world, and it is expected to maintain a growth rate of about 27%, much higher than the 2% annual growth rate of the international market. In terms of the coffee consumed per capita (unit: cup), currently the per capita consumption in China is only 10 cups per year, while in Japan and South Korea it is more than 200 cups per year. China's coffee consumption market has a huge space for growth.

According to the data released on canyandata.com, there have been 6 freshly-brewed coffee brands with more than 1,000 chain stores respectively, including Luckin Coffee (9,100+ stores), Starbucks (7,000+ stores), McDonald's McCafe (2,500+ stores), Lucky Coffee (2,100+ stores), NOWWA Coffee (1,200+ stores) and Cotti Coffee (1,000+ stores). Other three coffee chain brands, Manner, Tim Hortons, and ChunLai had more than 600 chain stores respectively.



The scale expansion of coffee brands makes the upstream supply chain of coffee ingredients increasingly important. Except for foreign coffee bean giants, Yunnan coffee beans have soared in popularity in recent years. Currently, Yunnan supplies 99% of the coffee beans for domestic use, and its coffee output increased by 67.0 % in a decade from 65,100 tons in 2011 to 108,700 tons in 2021. Most coffee beans produced in Yunnan province are consumed in the domestic market. In 2021, Yunnan exported 30,000 tons of coffee, while it reached 60,700 tons in 2017. With the growth of demand for coffee in the domestic market, Yunnan's coffee industry went up significantly driven by the use of some big brands, such as Starbucks, Luckin Coffee, Yongpu and Manner.

The rapid development of coffee drinks in the Chinese market can be explained for two major reasons. On the one hand, Luckin Coffee, Lucky Coffee, NOWWA Coffee, Cotti Coffee and other brands making coffee

affordable and popularizing coffee consumption habits in the development model of big chain stores; On the other hand, coffee gradually became a localized drink, a tasty drink more suitable for Chinese tastes, which is also a crucial factor. The performance report of Luckin Coffee in 2022 revealed the key password for the explosive growth of coffee drinks in the Chinese market - the consumption demand for pure coffee is insufficient, and the favorable taste tends to be milky coffee.

In 2022, Luckin Coffee achieved a total net income of RMB 13.293 billion, which was contributed by 135 million customers who consumed 900 million cups of coffee drinks in the whole year. Guo Jinyi, Chairman and CEO of Luckin Coffee, stressed the core logic behind Luckin products – “professional + delicious”.

In 2021, Luckin launched its first super starter item, “Raw Coconut Latte”, which sold more than 100 million cups in the first year alone and set off a trend of coffee drinks. From 2021 to 2022, Luckin Coffee launched nearly 300 freshly-made drinks, including Thick Milk Latte, Raw Coconut Latte, Velvet Latte, and Raw Cheese Latte.

Driven by Luckin Coffee, the supply chain for the major single starter items, such as Thick Milk, Coconut Milk, and Oat Milk, have developed in a large scale. Among them, Saisang Dairy stands out in the industry by creating the category feature with “thick milk”. FREENOW, a supply chain company of coconut milk, develops a star product, “Thick Coconut Milk”, and sets off the craze of “raw coconut” in the coffee and tea drinking circles. OATLY is popular in many sectors with its oat milk, such as freshly-made and retail drinks.





Analysis of New Consumption Scenarios

04

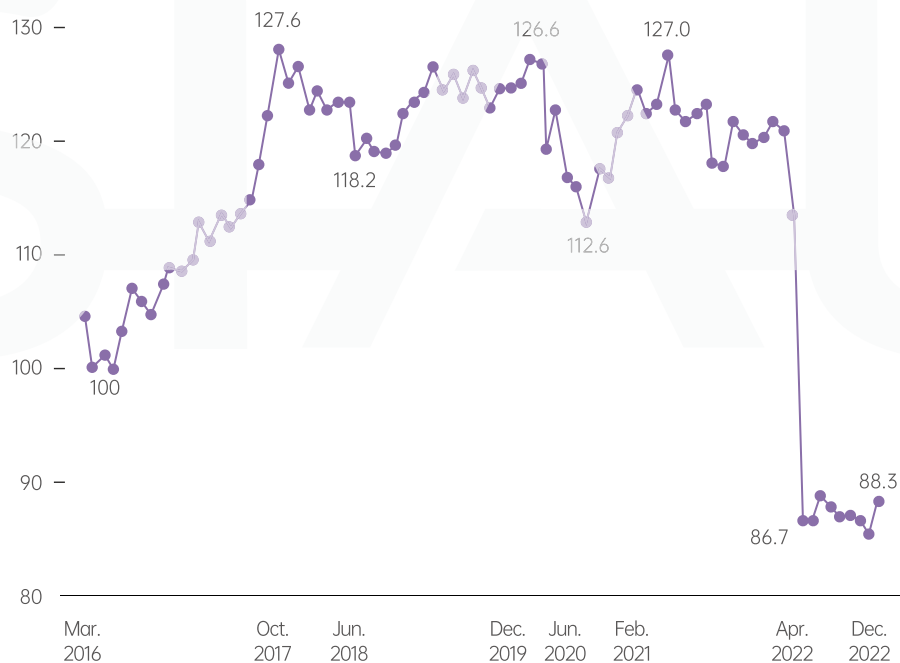
- Elements Concerned by Consumers
- Consumers' Decision Preference
- Emerging Consumption Species

Elements Concerned by Consumers

Consumers tend to “save more but spend less” and also pay more attention to cost-performance.

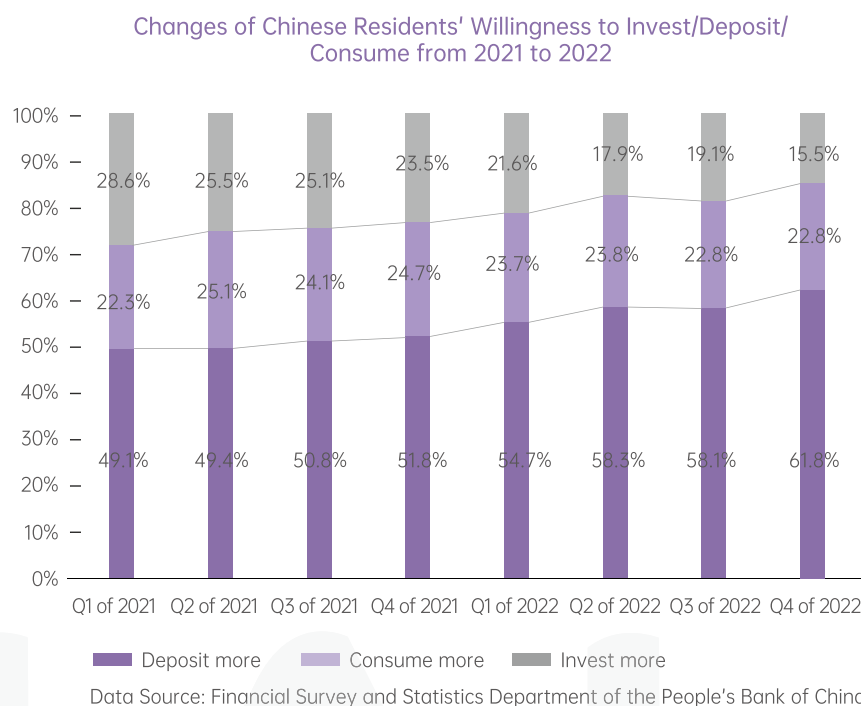
With the impact of the three-years pandemic, the “Scarring Effect” still exists. Consumption will be recovered step by step, which should take some time.

According to the data released by National Bureau of Statistics, Chinese consumers' confidence index fell to 86.7 in April 2022, marking the lowest level in the recent decade; while urban residents were increasingly willing to save money for four consecutive quarters. According to the data released by the People's Bank of China, household deposits increased by RMB 26.26 trillion in 2022, increasing by RMB 6.59 trillion year-on-year. In particular, household deposits increased by RMB 17.84 trillion, RMB 7.94 trillion more than the total household deposits of RMB 9.9 trillion in 2021, recording a new high since the beginning of the statistics.



Data Source: National Bureau of Statistics; China Economic Monitoring & Analysis Center

According to the survey statistics released by the People's Bank of China, residents were increasingly willing to deposit quarter by quarter from the first quarter of 2021 to the fourth quarter of 2022, increasing from 49.1% in 2021 to 61.8%. It shows that people tend to "save more but spend less" when facing an uncertain environmental, so as to enhance their own ability to resist risks.



Corresponding to the greater willingness to deposit rather than consuming, consumers pay more attention to the cost-performance when buying goods. There is still some room for consumption upgrading, but it would be mainly contributed by higher income groups.

In terms of food and beverage consumption, people's consumption orientation has changed to some extent. They pay more attention to the cost-performance of the product itself, choose less high-premium food and beverage to consume, and more enthusiasm in the relatively lower consumption range.

Compared with the catering orders in same period over the recent three years on hualala.com, it can be seen that the population of the customers at a unit price less than RMB 50 increased by 59.69% compared with the same period in 2020, the number of orders increased by 56.79%, the turnover increased by 57%, and the number of stores increased by 38.65% on October 1, 2022. In the range of the unit price less than RMB 100, the number of consumers increased by 51.87%, the number of orders increased by 56.99%, the turnover increased by 42.63%, and the number of stores increased by 38.71%.

During the three years of the epidemic, the cost-effective snack and drink stores have more choices in expanding their fundamental factors and they are still developing rapidly. It can be predicted that snack and drink stores will maintain their potential after the pandemic and still keep a relatively high growth rate.

Cost-performance becomes a more important factor for goods purchasing

Self-evaluation by Consumer
Percentage of Respondents
Compared with last year, now I would...



Proportion of respondents who pay more attention to cost-performance of a certain category
Percentage of respondents who have purchased a certain category

Monthly Household Income	Skin Care Products	Packaged Foods
> RMB 30,000	+62%	+61%
RMB 10,000 to RMB 30,000	+47%	+51%
< RMB 10,000	+41%	+51%

Question: Will you pay more or less attention to the cost-performance of these commodities next year compared with your consumption last year? N = 1,500

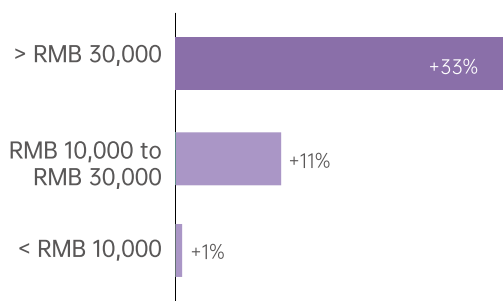
Data Source: Consumer Survey by OliverWyman (December 2022)

There is still room for upgrading consumption. However, consumption upgrading would be mainly generated from the higher-income groups.

Willingness to Pay a Premium
Difference between the respondents who are willing/not willing to pay a premium by percentage

If I can see a real benefit in a certain product, I would be more willing to pay a premium for the product than I did last year.

Monthly Household Income



Willingness to Pay a Premium, by Category
Percentage of respondents who have purchased the category

Monthly Household Income	Skin Care Products	Packaged Foods
> RMB 30,000	+21%	+31%
RMB 10,000 to RMB 30,000	+8%	+18%
< RMB 10,000	-1%	+10%

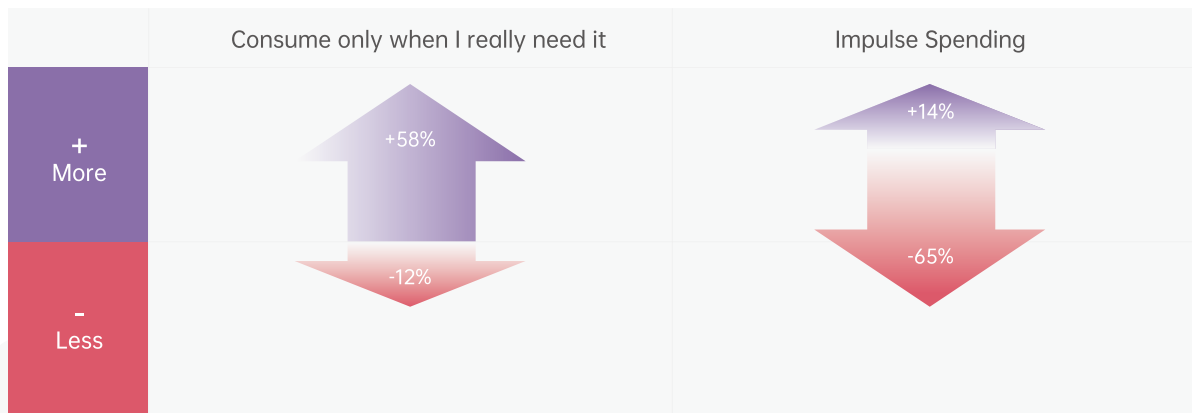
Question: Will you spend more to buy the products of better quality in those categories at a higher price next year compared with your spending last year? N = 1,500

Data Source: Consumer Survey by OliverWyman (December 2022)

Less impulse purchase and more "Sober Shopping".

Consumers will make purchasing decisions more rationally and reduce impulse spending

Self-evaluation by Consumers
Percentage of Respondents
Compared with last year, now I will:



N=1,500

Data Source: Consumer Survey by OliverWyman in December 2022

According to the survey in December 2022, consumers will make more rational purchasing decisions and reduce impulse purchases than the previous year.

A typical instance is Assassin Literature, which got very popular all over social media in the summer of 2022. There is not only the price of "ice cream assassins" cost tens of yuan or even hundreds of yuan hiding in a freezer to "assassin" consumers' wallets at any time, but also the affordable "ice cream guard" sticking to the bottom line of ice cream pricing, making everyone in the summer to "enjoy ice cream freely". There are even some Internet buzzwords to describe such phenomena, such as "ice cream man" and "ice cream bodhisattva", referring to the kind people who remind the public about the ice cream at a higher price.

It can be seen that with the development of transparency information promoted by social media, consumers now no longer advocate exquisite packaging or novel appearance; instead, they began to return to rational shopping.



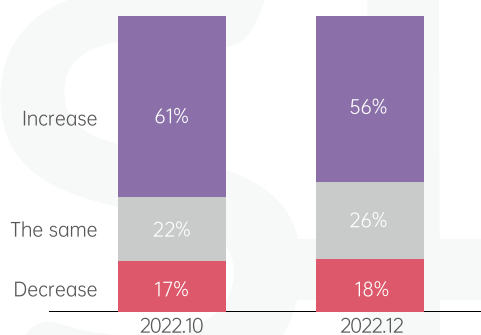
Most respondents expecting to increase consumer spending in 2023.

According to the survey, although consumers have become more rational and pursuing more cost-performance under the pressure of an uncertainty market, with the gradual recovery of the economy and the continuous increase of offline flow after freeing epidemic prevention and control measures, nearly half of consumers (49%) expected to spend more in 2023 to make up the lost three years at work and income to improve their quality of life and build a better life as possible as they could.

Catering brands provide cost-effective products and create experience beyond customers' expectations. There is still a large space for the development of catering brands under the background of economic recovery.

Most respondents expected to spend more in 2023

Consumers expected to spend in 2023 compared with 2022:



Reasons for spending more:

49% Respondents expressed that they will improve the quality of life and build a better life.

44% Respondents expressed that they will spend less and deposit more.

27% Respondents expected that their economic conditions are to be improved.

Question: How do you expect your total consumption (of consumer goods and services) next year (in 2023) compared with this year? (Spend more, spend less, or spend the same) N = 4,000 (October) and 1,500 (December)

Data Source: Consumer Survey by OliverWyman (October 2022 and December 2022)



Consumers' Decision Preference

Proportion of online consumption choices remaining at a high level.

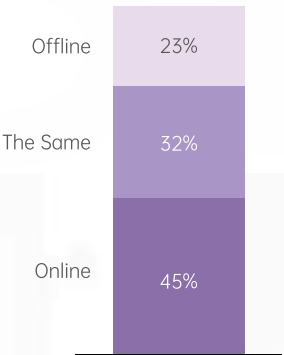
Over the past three years, more and more consumers have adapted to ordering take-out and buying food online. According to the survey, consumers will keep online consumption habits after the pandemic, with 45 percent of consumers saying they will spend more online. It is expected to have a certain diversion impact on offline customer flow, which is difficult to recover completely by shopping online in a short time.

The data also support the huge online consumption volume of Chinese consumers. In 2022, e-commerce accounted for nearly 30% of China's social retail sales and far higher than the 20% of the rest nations in the world.

More and more consumers want to consume more online, and it would be hard to see the customer flow offline fully recovered in a short time.

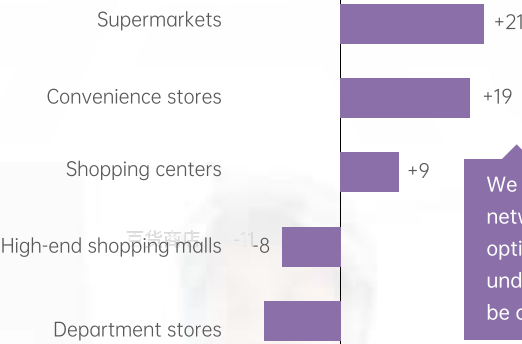
Question: Do you expect a higher proportion of consumption online or offline to your total spending in 2023 compared with that of 2022?

Percentage of Respondents



Net percentage of respondents who are willing to spend more through channels

Difference between the respondents who expect more spending and those expecting less spending, by percentage



We predict that store network will be continuously optimized and that the underperformed stores will be continuously sifted out.

Question: Do you expect a higher proportion of your spending online or offline to your total spending in 2023 compared with that of 2022? N = 1,500

Question: Do you expect to shop more or less frequently in those places in 2023 compared with last year (2021)? N = 1,500

Data Source: Consumer Survey by OliverWyman (December 2022)

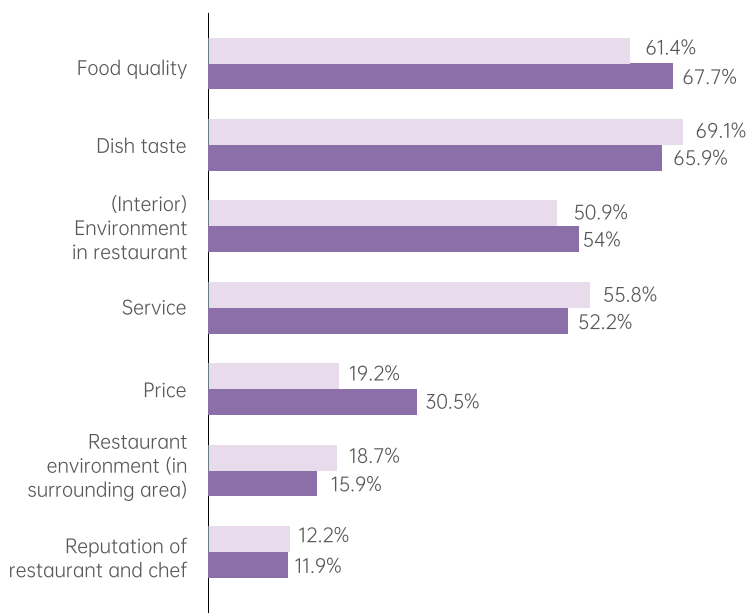
Consumers paying more attention to health, freshness, and quality in dining.



The three-year epidemic popularized health education for the whole public, changed people's lifestyles, and raised people's attention to health, especially their own immunity. According to the monthly consumer tracks survey on Mintel.com, 70% respondents said "their own or their family's health" was their biggest concern in life at the end of 2022, rising remarkably from 62% six months ago and reached the highest point since the start of the epidemic.

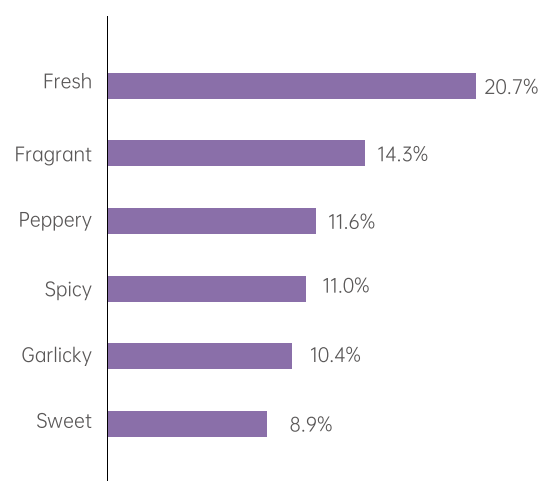
According to Meituan Users' Survey, the quality of food ingredients counted most for consumers in 2022 (67.7%), surpassing the taste of dishes. In addition, fine dining consumers have significantly increased their consideration factors for price (30.5%), making their consumption more rational and pragmatic. In terms of taste preference of specific dishes, umami flavor ranked the first (20.7%), exactly consistent with consumers' high preference for food quality.

Distribution of Preference of Fine Dining Consumers for Restaurant Factors on Meituan in 2022



Data Source: Meituan

Distribution of TOP Taste Preference of Fine Dining Consumers on Meituan in 2022



2021

2022

Consumers' concern on "safety and health" is changing the consumption pattern of the whole society. On Meituan platform, the phrases with a connotation of health, such as "quality", "home-made style", "fresh", "freshly stir-fried", "low salt" and "tonic", have been mentioned more frequently.

Search Index of Keywords about "Guo Qi" (in home-made style) on Meituan from 2021 to 2022



Data Source: Meituan

Young consumers pay more attention to a sense of seasonal ritual. A cup of Autumn drink and four-piece winter set become popular with young consumers.

On social platforms, young people take the four seasons as a kind of symbol, and create a "sense of ritual" only fit for the current season by seizing a lifestyle that best fits each season, which has caused a series of changes in social and economic activities.

For example, "brewing tea around a stove" became a new favorite social activity among young people in the autumn and winter of 2022. Hot topics stimulated traffic online to surge, many businesses took the opportunity to launch group purchases concerning brewing tea around a stove, and the related derivatives were also introduced in the market, with an attempt to share some profits under this trend.



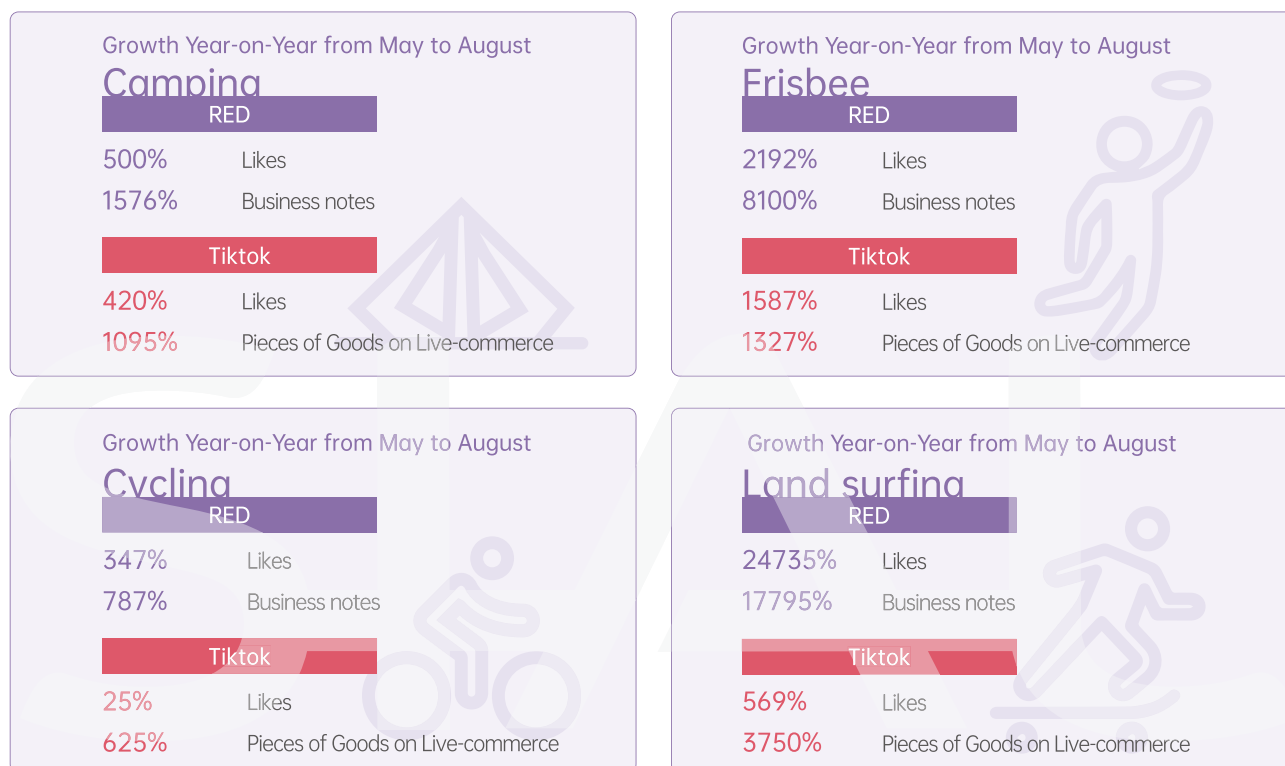
6.247 million Search popularity on Taobao	84,000 pieces The related goods sold on Taobao
10,000 ~15,000 orders Monthly sales of the charcoal for brewing tea around a stove	70 businesses Number of businesses launching products for brewing tea around a stove for group purchase in the popular season
700,000 + pieces Cumulative sales of the picnic mat at the unit price of RMB 9.9	Some sellers even supply ambience food and flower baskets for picnic.

Behind the popularity of brewing tea around a stove, we can see that young people pursue the "film flow" activity with strong atmosphere. This phenomenon reflects that people desire to release their pressure, physically and mentally, and they look after a feeling of relaxation. It is also the result of the rise of the ritual economy represented by fine food culture and slow cooking life. More importantly, it is the result of the return of Chinese tea drinking and the vigorous revival of traditional Chinese culture.

Emerging Consumption Species

Camping: The market size of camping activity is about to reach RMB 100 billion, with new scenarios for barbecue and prefabricated food.

Growth of Outdoor Contents on RED 2022



Data Source: NEWRANK Institute

Since 2020, travel has been hampered by COVID-19. According to statistics, the traditional tourism industry across the world has shrunk by nearly 60%. During this period, people's desire for travel inspired the emergence of new forms of tourist business and new scenarios, of which camping witnessed the largest increment.

The year of 2022 marks the start point of the camping economy. New outdoor activities, such as camping, frisbee and land flushing, have entered people's lives due to their new appealing, low-threshold and strong social attributes. As the Insights into 2022 Outdoor Camping Consumption Trend points out, contrary to the shrinking tourism market, the domestic camping market is increasingly hot, with a scale up to RMB 100 billion. Food categories, such as barbecues and prefabricated food, have opened up new space for growth in the new camping scenarios.

Many cross-field brands have also taken advantage of the traffic online to launch peripheral products around outdoor activities. For example, Too Two launched its picnic mat, E Le Me and Burger King jointly launched frisbee kits, and POP Mart launched its frisbee products, which are all catering to the prevailing outdoor trend.

In terms of catering, Guoquan, a big chain brand with about 10,000 stores across China, launched a scenario-oriented solution, "one-stop eating and drinking solution for camping" in early March 2023. In Guoquan campground, the company serves consumers with camping barbecue, camping hot pot, camping snacks, camping dessert, camping Western food, camping wine, as well as its "leading dishes", sauerkraut fish, crayfish, baked fish... Up to now, the product matrix of Guoquan has covered more than 700 products in dozens of categories, such as hot pot, barbecue, fresh dishes, prefabricated food, marinated dishes, Western food, food for a single customer, wine and other products for camping. Almost everything one could imagine to do with camping, including eating, drinking, and entertainment goods, can be found in Guoquan.

Guoquan, a brand focusing on and exploring the new retail sector of hot pot and barbecue ingredients for 5 years, now turns its eyes from "eating at home" to "eating outdoors". Guoquan has oriented to its new direction: exploring new scenarios for camping, group building and parties based on the opportunity in the new "eating" era, so as to provide a more convenient eating way for young consumers in Generation Z.



Eating at home: the popularity of small household appliances for home kitchen use driving new pattern of catering food.

With the increase of consumers' demand and the more convenient supply of commodities, the share of "eating at home" products has increased. According to the White Paper on 2021 "Eating at Home" Industry Development released by Frost & Sullivan the market size of "eating at home" products is expected to reach RMB 3.55 trillion by 2025 due to the changes of people's living habits caused by the epidemic.

The "Eat at home" segment can be divided into three scenarios: buying food and cooking at home; buying prefabricated food and cooking at home; and, enjoying take-out food at home.

Compared with buying food and cooking it at home and takeout, prefabricated food has become a popular solution for "eating at home" as it combines several advantages: convenience, health, good taste and a sense of culinary ritual. In particular, as the spending power of Generation Z increases, the "lazy economy" and "stay-at-home economy" are becoming more and more popular, and the market space for prefabricated food and semi-finished food is growing.



In particular, with the deepening of household kitchen infrastructure modernization, the road for prefabricated food and semi-finished food to develop in the market is even wider. According to the monitoring data on All View Cloud, new small household appliances, such as air fryers, health pots, high-speed blenders and all-in-one baking machines, have maintained an annual sales of more than 200 million sets since the pandemic. In details, air fryers have become very popular over the past two years. In 2022, the retail sales of air fryers reached RMB 6.04 billion, representing a year-on-year increase of 46.9%. The number of searches related to air fryers on Meituan's platform was more than 3 million, up 375% year on year. Specifically, the sales of large-capacity air fryers above 5L rose particularly obviously, which also reflects that the consumption of air fryers has passed its trial stage of serving for just one person, more and more family kitchens began to recognize this product, and that air fryers have become popular in our daily life.

To seize the opportunity behind the popularity of air fryers, a number of food enterprises launched a series of prefabricated food fit for air fryers. In September 2022, the frozen food giant, San Quan, launched a series of

new air fryer dishes, including fried croquettes, small crispy meat, grilled sausage, shrimp paste and spring rolls. Catering companies are also optimizing their products and packaging by incorporating the scenarios of air fryers into their household services. For example, Dadong Roast Duck Takeaway has introduced air fryer reheating tips. Following those tips, customers can enjoy the dishes with a taste close to the in-store ones.

In addition, several well-known household appliance enterprises have joined in the research and development of cooking equipment for prepared dishes since 2022. For example, Galanz released the first microwave oven fit for prefabricated food in the industry, and ROBAM launched digital kitchen appliances, such as an intelligent stir-frying pan. Smaller, multi-functional, more intelligent and easy-cleaning appliances are emerging in the market.

According to the released data, the number of small kitchen appliances per household is 31.5 pieces in the United States, but only 9.5 pieces in China at present, which indicates that there is still much room in the market for the players to grow.





STAND

Outlooks



According to the statistics released by the National Bureau of Statistics, the catering industry realized a revenue of RMB 1213.6 billion in the first quarter of 2023, up 13.9% year on year. The industry is recovering at an encouraging rate.

According to other public reports, the catering capital market is bursting out vitality. There have been more than 30 financing events and 10 IPOs dynamic cases since 2023, showing the strong vitality of the rigid industry of the “eating” business.

Catering industry financing from the beginning of 2023 to the present (incomplete statistics)					
Time	Brand	Category	Amount	Round of Financing	Investor
April	Odington Burger	Chinese Burger	/	Round A	Source Code Capital
April	Max Burger	Western Fast Food	Tens of millions of US Dollars	Round A	Shengda Fund Management Co., Ltd.
April	Starparot Coffee	Coffee	USD \$2 million	Angel Round	Hong Kong Xinbang Investment Co., Ltd.
April	PRBOR	Fast Food	RMB 30 million	Round A	Weitong Fund Management Co., Ltd.
April	Qi Dian Luosifen	River Snail Rice Noodles	Millions of dollars	Angel Round	Individual Investor
April	TOP TEA	Tea Drink	Tens of millions of RMB	Round A	Shengshitong Fund Management Co., Ltd.
April	ZHIZHICHA	Tea Drink	RMB 5 million	Angel Round	Hubei Zhi Yuanqiao Technology Co., Ltd.
March	HONGYANGGUOJI	Tea Drink	1.2 trillion	Round A	/
March	BLEU BEAR COFFEE	Coffee	/	Angel Round	LEAD Fund Management Co., Ltd.
March	KAYE Tech	Service Provider	Approximately RMB 100 million	Angel Round	Hillhouse Ventures, Renzhi Capital
March	XIAOKAZHU	Coffee	RMB 100 million	Round A	XingMi Capital, AD-VC Fund
March	GUOZAOYIQI	caterer	RMB 50 million	Angel Round	/
March	CLOVES COFFEE	Coffee	Tens of millions of US Dollars	Angel Round	IX Fund, Tiantu Investment
March	Lucky Cat Energy Tea	Tea Drink	RMB 50 million	Round A	Hongyi Fund Management Co., Ltd.
March	Lucky Cat Energy Tea	Tea Drink	/	Strategic Round	Wuxi Miruide Trading Co., Ltd.
March	HIBUFFX	Coffee	/	Angel Round	ChuYa Ventures
March	LAMBURGER	Egg Burger	Millions	Angel Round	Individual Investor (Chen Weixing)

Financing for Catering Industry since the Beginning of 2023 (incomplete statistics)					
Time	Brand	Category	Amount	Round of Financing	Investor
March	Xiaocaiyuan	Anhui Cuisine Chain Store	Tens of millions of US Dollars	Strategic Financing	Harvest Capital
March	UPLAYER	Coffee	RMB 15 million	Strategic Financing	SUN FOREST FUND MANAGEMENT CO., LIMITED
March	Bean Principal	Snacks	RMB 50 million	Round A+	Shan Hai Capital
March	MO BI YOU CHUANG	CAN CHUANG Service Platform for Multiple Catering Brands	RMB hundred million	Round A	Wu Wei Foods; Plum Ventures; Jiaying Pin Chuang
March	Au Cafe	Coffee	/	Strategic Financing	Beijing Jiazhou Jin Kong Assets Management Co., Ltd.
March	Prince Forest	Tea Drinks	RMB tens of millions of yuan	Strategic Financing	Zhong Pin Digital Science
February	Bao Bao Jie River Snail Rice Noodles	River Snail Rice Noodles	RMB several millions	Angel Round	Mei Wei Investment
February	APRIL PUFFER	Catering & Beverage	RMB 35 million	Round A+	CHINA SOFT CAPITAL
February	JU MEI WEI	Meal Reservation Platform	RMB one million	Angel Round	Hezi Capital
February	U.LIKE	Tea Drinks	/	Round A	Xin Zhong Fund management Co., Ltd.
February	RELEE COFFEE	Coffee	RMB 30 million	Round A	Xin Fund Management Co., Ltd.
February	Duo Tian Foods	Bakery Service Provider	RMB 30 million	Round A	Tai Xing Sheng Yin Fresh Food Hub Enterprise Management Center (Limited Partnership)
February	AoTiger	Coffee	/	Angel Round	Plum Ventures
February	Long Men Fried Skewers	Snacks	RMB 30 million	Round A	EARNMORE CAPITAL
February	LUCKY CAT COFFEE	Coffee	USD \$15 million	Round A	Bit Origin
January	MIDAS BURGER	Western Fast Food	RMB 50 million	Strategic Financing	Jin Kai Fund Management Co., Ltd.
January	SHI SHI LIAN FOOD	Supply Chain Service Provider	Approximately RMB 10 million	Angel Round	Hejun Capital; Beijing Pin Zhi Tian Di Enterprise Management Co., Ltd.
January	HU BAN SPICY HOT POT	Spicy Hot Pot	Approximately RMB 1 million	Angel Round	Guo Hong Yuan Yu Times (Hainan) Investment Co., Ltd.
January	LUXIHE	Bakery	RMB hundreds of millions of yuan	/	Billion Zhi Gao Capital; Cypress Capital

Data Source: qichacha.com; public reports

Generally, the catering industry is recovering gradually, but not covering all factors, all categories and all channels. It is not the "retaliatory" recovery after opening the gate over a rising tide, but a structured recovery of priorities and imbalanced distribution.

From the perspective of market demand, consumers become more rational and pay more attention to the cost-performance of food products. Meanwhile, consumers also have the demand for "lower-cost products", "lower-cost food", "lower-cost drinks", and "lower-cost stores" have been rapid developed, and many big brands have paid unprecedented attention to the vast lower-tier markets and penetrated into "small towns". There have been more than 30 fundraising events in the restaurant industry up to now this year, with investment concentrated in coffee, tea drinks and snacks.



On the other hand, consumers pay more attention to health and pursue both cost-performance and cost-emotion. The added value attached to the food products of high quality, appealing appearance, a homemade style, a ceremonial sense and meaningful contents, still has room for further development. The popularity of brewing tea around a stove and the constant expansion of fine dining are good evidence of this demand.

Just as people's needs can be divided into multiple levels according to Maslow's Theory, the corresponding categories and structure levels of the catering industry are always varied, but their respective volumes are different.

In terms of the supply chain, on the one hand, the industry is concentrated. However, it is no longer the spring especially for the powerful players with strong single points; instead, it becomes the spring for players with good system and solid capabilities. No matter which part players are in the competition, they should be a systematical master.

On the other hand, all parties are cooperating with each other, and the social division of roles and responsibilities is becoming more and more sophisticated. The catering industry needs network coordination more. The pandemic did pose an impact on the big network, but also had some positive influence on the self-improvement of the regional network. The supply chain not only relies on the big market of 1.4 billion Chinese people and evolves more and more intensive supply chains of major single starter items, but also focuses on different enterprise sizes and different regions to lay out strategies. In addition, a flexible supply chain in "small order and fast return" style has evolved in the market.

In conclusion, the whole catering industry is based on the existing basic rules. Currently, the industry is developing around new elements in new structures and new models. We will see new capabilities and new species in this industry, ushering into a new "food" world with infinite possibilities for us to realize our ambitious goals in the process of recovery.



- 2023.8.28-30
Shenzhen Convention & Exhibition Center

- 2024.5.28-30
Shanghai New International Expo Center (SNIEC)