China Insights Consultancy
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# Industry Report of the Catering Market in China

*with a focus on the Casual Chinese Fusion Restaurant Segment*

## CIC Introduction, Methodologies, and Key Assumptions

China Insights Consultancy is commissioned to conduct the research and analysis of, and to produce an industry report of the catering market in China with a focus on the casual Chinese fusion restaurant segment. The report commissioned has been prepared by China Insights Consultancy independent of the influence of the Company or any other interested party.

China Insights Consultancy is an investment consulting company originally established in Hong Kong. Its services include industry consulting services, commercial due diligence, strategic consulting, and so on. Its consultant team has been tracking the latest market trends in catering services, agriculture, chemicals, consumer goods, marketing and advertising, culture and entertainment, energy and industry, finance and service, healthcare, TMT, transportation, etc., and has the most relevant and insightful market intelligence in the above industries.

China Insights Consultancy undertook both primary and secondary research using various resources. Primary research involved interviewing key industry experts and leading industry participants. While secondary research involved analysing data from various publicly available data sources, including the National Bureau of Statistics of China, company annual reports, independent research reports, and China Insights Consultancy's own internal database, etc. The information and data collected by China Insights Consultancy have been analyzed, assessed, and validated using China Insights Consultancy's in-house analysis models and techniques.

The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel the continued growth in China's casual Chinese cuisine restaurant market including developing commercial activities, advance of intelligent technology, popularity of social media and growing food delivery services, etc.; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way. China Insights Consultancy believes that the assumptions used in preparing the report including those used to make future projections, are factual, correct, and not misleading. The reliability of the report may be affected by the accuracy of the foregoing assumption and factors as well as the choice of primary and secondary sources.

All statistics are reliable and based on information available as of the date of this report. Other sources of information, including those from governments, industry associations, or marketplace participants, may have provided some of the information on which the analysis or its data is based. All information about the Company is sourced from the Company's own audited reports or management interviews. China Insights Consultancy is not responsible for verifying the information obtained from the Company.



## Terms and abbreviations

**Terms:**

**Chain restaurant:** restaurants with two or more restaurants that are either under shared corporate ownership or franchising agreements.

**Consumer Price Index:** Consumer price index (CPI) measures changes in the price level of consumer goods and services purchased by households.

**Compound Annual Growth Rate (CAGR):** Compound annual growth rate (CAGR) refers to the year-over-year growth rate which is calculated by taking the nth root of the total percentage growth rate over a specified period of time. The formula for calculating CAGR is: (Ending Value/Beginning Value)^(1/number of years)-1

**Abbreviations:**

**CAGR:** Compound Annual Growth Rate 复合年均增长率

**CNNIC:** China Internet Network Information Center, 中国互联网络信息中心

**COVID-19:** Corona Virus Disease 2019 新型冠状病毒肺炎

**CPI:** Consumer Price Index 居民消费价格指数

**CR100:** Concentration ratio of top 100 players 行业集中度（前100家企业）

**GDP:** Gross Domestic Product 行业生产总值

**IMF:** International Monetary Fund 国际货币基金组织

**NBS:** National Bureau of Statistics of China 国家统计局

**QR Code:** Quick Response Code 二维码

**UN:** United Nations 联合国

## Table of Contents





# 1. Analysis of Catering Market in China

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## Definition and Categorization of Catering Market in China by Cuisine and Service Type

- Based on cuisine type and service type, the establishments providing catering services in China can be categorized into four segments: Chinese cuisine restaurants, Asian and Western cuisine restaurants, fast food shops, and other eating and drinking places

- Catering market in China refers to commercial activities in a certain place where food is cooked and prepared on site and sold to customers mainly for on-site consumption, according to China's National Economy Industrial Classification Annotation. The establishments providing catering services in China can be categorized into four segments, including 1) Chinese cuisine restaurants, 2) Asian and Western cuisine restaurants, 3) fast food shops, and 4) other eating and drinking places, such as bar and coffee shops.

**Overview and categorization of the catering market by cuisine and service type in China, 2024**

| Category | Description | Customer group | Per capita spending |
|---|---|---|---|
| **Chinese cuisine restaurants**  | • Chinese cuisine restaurants refer to restaurants offering various types of Chinese cuisines, including but not limited to fusion, Sichuan cuisine, Shandong cuisine, Guangdong cuisine, Jiangsu cuisine, Zhejiang cuisine, Fujian cuisine, Hunan cuisine, Anhui cuisines, etc. | • Local residents, tourists, families, business groups, younger generations and white collar, etc. | • Over RMB50 and varies |
| **Asian and Western cuisine restaurants**  | • Asian and Western cuisine restaurants refer to the catering service segment where restaurants offer Asian and Western cuisines including but not limited to Hong Kong tea restaurant, Japanese cuisine, Korean cuisine, Thai and Vietnamese cuisine, Mediterranean cuisine, etc. | • Foreign guests<br>• Customers who like to try different cuisines | • Over RMB50 |
| **Fast food shops**  | • Fast food shops include cafeterias, snack shops, and stalls at food courts serving fast and consistent food and beverages, such as hamburgers, fries, and sandwiches, Chinese fast food, Chinese barbecue, street food, etc. | • Mass market and mainly the younger generation | • Less than RMB50, approximately RMB20-40 |
| **Other eating and drinking places**  | • Other eating and drinking places include bars, dessert shops, ice cream houses, fruit juice shops, coffee shops, and other eating and drinking establishments which are not described in the above segments.<br>• Event catering services are also included in this segment. | • Mass market and mainly the younger generation | • Wide-ranged |

*The Company's operating segment*

*Note: Hong Kong tea restaurant belong to Asian and Western restaurants*

*Source: National Economy Industrial Classification Annotation, China Insights Consultancy*



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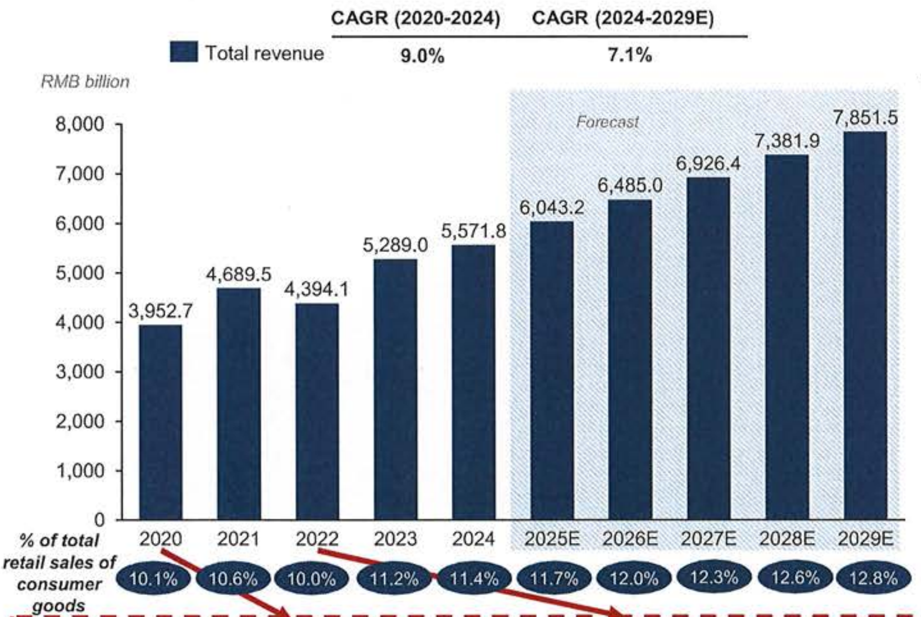
## Market Size of Catering Market in China in terms of Total Revenue

- China has become the world's second largest catering market with its annual catering revenue of RMB5.6 trillion in 2024; the new mature development stage of China's catering service market will continue being a major force for national economic growth

**Market size of catering market in China in terms of total revenue, 2020-2029E**




The COVID-19 epidemic in 2020 hit the Chinese catering industry hard as the epidemic forced the temporary closure of many restaurants and saw cautious customers stay home rather than dine out. As the epidemic has been effectively controlled, starting from the second half of 2020, the overall catering market showed signs of recovery. The total revenue of catering market in China declined to RMB3,952.7 billion.

However, in the first half of 2022, the outbreak of the epidemic in many regions in China has made restaurant operations more and more difficult, and the total revenue of catering market in China declined to RMB4,394.1 billion compared with RMB4,689.5 billion in 2021. Fortunately, as Chinese government eased the "zero-COVID" policy at the end of 2022, China's catering market has recovered since 2023, and the total revenue of China's catering market reaching RMB5,571.8 billion in 2024, and exceeding 19.3% of the level in 2019.

**Key Analysis**

- China has become the world's second largest catering market with its annual catering revenue of RMB5.6 trillion in 2024.
- Total revenue of catering market in China has fluctuated upwards from RMB3,952.7 billion in 2020 to RMB5,571.8 billion in 2024, representing a CAGR of 9.0%. The COVID-19 epidemic in 2020 hit the Chinese catering industry hard as the epidemic forced the temporary closure of many restaurants and saw cautious customers stay home rather than dine out. Although the catering market in China has been continuously affected by regional outbreaks of COVID-19 in 2022, which forced the temporary closures of many restaurants, China's catering industry has recovered since 2023 with a year-on-year growth rate of 20.4% as the Chinese government eased the "zero-COVID" policy in December 2022. The revenue of the catering market increased modestly in 2024 and is expected to develop at a sustainable CAGR of 7.1% from 2024 to 2029, reaching RMB7,851.5 billion in 2029, primarily attributable to the growing consumption power of Chinese residents and their increasing frequency of dining out. With the increasing proportion of total retail sales of consumer goods, the new mature development stage of China's catering service market will continue being the major force for the national economic growth.

*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

*Source: China Hospitality Association, China Insights Consultancy*

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## Market Size of Catering Market in China by Cuisine and Service Type in terms of Revenue

- Chinese cuisine restaurants constitute largest segment in catering market in China in terms of revenue, with a market share of approximately 55.1% in 2024.

**Market size of catering market in China by cuisine and service type in terms of revenue, 2020-2029E**

*RMB billion*

| | CAGR (2020-2024) | CAGR (2024-2029E) |
|---|---|---|
| **Total** | **9.0%** | **7.1%** |
| Chinese cuisine restaurants | 8.7% | 6.8% |
| Western and Asian cuisine restaurants | 6.8% | 4.7% |
| Fast food shops | 9.6% | 8.1% |
| Other eating and drinking places | 12.1% | 9.1% |


*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

*Source: National Bureau of Statistics, China Insights Consultancy*

### Key Analysis

- The catering market in China can be divided into four segments based on cuisine and service type, including Chinese cuisine restaurants, Western and Asian cuisine restaurants, fast food shops and other eating and drinking places.
- Amid the rising income levels of Chinese consumers, the catering market has become more diversified in China. Chinese cuisine restaurant constitute the largest segment in catering market in China in terms of revenue, with a market share of approximately 55.1% in 2024. The total revenue of Chinese cuisine restaurant market fluctuated upwards from RMB2,198.1 billion in 2020 to RMB3,071.5 billion in 2024 due to the recovery through epidemic of COVID-2019 , representing a CAGR of 8.7%. In addition, Chinese cuisine restaurant market is expected to maintain a steady growth at a CAGR of 6.8% from 2024 to 2029, reaching RMB4,277.0 billion in 2029, maintaining its dominant position as the most popular type of cuisine in China.
- Fast food shops and Western and Asian cuisine restaurants are the second and third largest segment in the market, respectively.



## Definition and Categorization of Catering Market in China by Operational Model

The catering market in China can be divided into two categories based on operating model, chain restaurants and non-chain restaurants. Compared to non-chain restaurants, chain restaurants have higher operating efficiency, more standardized food and services, better cost management and higher brand awareness.

- Chain restaurants refer to a number of restaurants that operate under shared corporate ownership or franchise arrangement, leverage economies of scale and share brand awareness.
- Non-chain restaurants refer to standalone businesses that operate independently, serving customers in a specific location.
- Chain restaurants would have greater growth opportunities in China. The catering market in China is highly fragmented and dominated by non-chain restaurants given the fact that Chinese cuisine is difficult to standardize, however, chain restaurants are seeking solutions such as standardized management and operation to solve the problem of standardization.

**Overview and categorization of the China's catering industry by operational model**

| Category | Operational efficiency | Food quality | Cost management | Brand awareness |
|---|---|---|---|---|
| Chain Restaurants | Chain restaurants operates in well-established standards based on proven know-how and operating experience to improve operating efficiencies. | Chain restaurants set standardized rules to exert more control over food quality and hygiene conditions. | Using centralized procurements, chain restaurants procure in cost-effective wholesale prices, with huge bargaining power to suppliers. | Benefiting from centralized brand promotion, chain restaurants within a single brand efficiently improve overall brand awareness. |
| Non-chain Restaurants | Non-chain restaurants operate individually, usually managed by owners, and their operating efficiencies are highly dependent on owners' experience. | For non-chain restaurants, strict quality control over food quality is difficult because food preparation depends highly on chefs. | Non-chain restaurants procure in small quantity with little bargaining power and are vulnerable in cost management. | Non-chain restaurants are limited in establishing powerful brand and hardly benefited from branding awareness. |

*Source: China Insights Consultancy*

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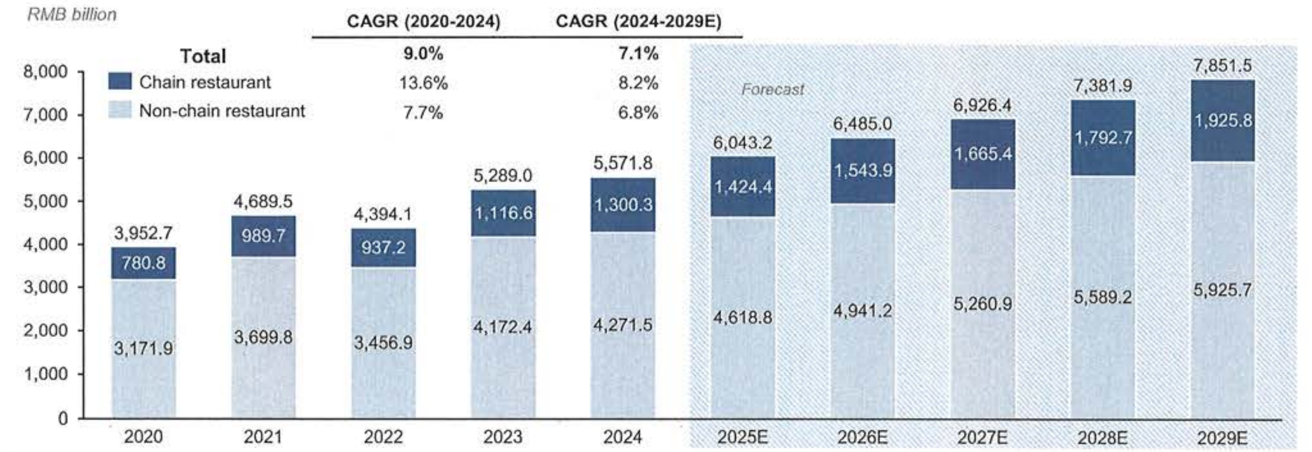
## Breakdown of Catering Market in China by Operational Model (1/2)

- Chain restaurants grew faster than non-chain restaurants from 2020 to 2024. Despite the impact from COVID-19, chain restaurants resumed quickly from the negative impact of pandemic and are expected to grow faster than non-chain restaurants

**Breakdown of catering market in China by operating model in terms of revenue, 2020-2029E**




**Key analysis**

- Total revenue of catering market in China fluctuated upwards from RMB3,952.7 billion in 2020 to RMB5571.8 billion in 2024, during which chain restaurants grew at a higher rate than non-chain restaurants. The revenue of chain restaurants also fluctuated upwards from RMB780.8 billion in 2020 to RMB1,300.3 billion in 2024 due to the recovery through epidemic of COVID-2019 at a CAGR of 13.6%, faster than the revenue of non-chain restaurants which fluctuated upwards from RMB3,171.9 billion in 2020 to RMB4,271.5 billion in 2024 at a CAGR of 7.7%.
- In 2020, the outbreak of COVID-19 hit catering market in China, having a negative impact on the overall performance. However, chain restaurants were less affected and recovered quickly compared to non-chain restaurants due to standardized operation, centralized management, capital sufficiency, economics of scale and more effective cost management. Due to the advantages of standardized operation and centralized management, the total revenue of chain restaurants in China is expected to continue to grow at a CAGR of 8.2% from 2024 to 2029, faster than that of non-chain restaurants at a CAGR of 6.8%.

*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

*Source: National Bureau of Statistics, China Insights Consultancy*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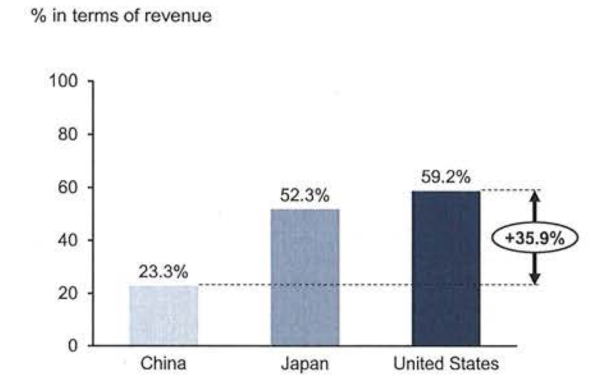
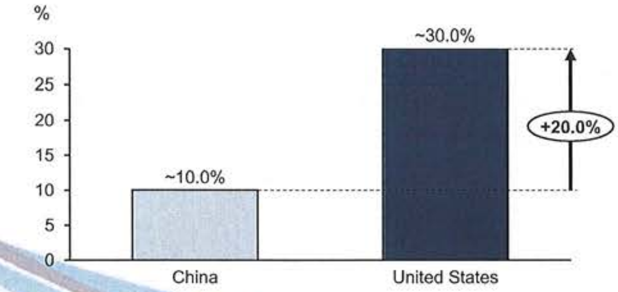
## Breakdown of Catering Market in China by Operational Model (2/2)

- Compared to United States and Japan, chain restaurants have a relatively small presence in catering market in China in terms of revenue. With the development of chain business, the revenue of chain restaurants are expected to increase and catering market in China is expected to be more concentrated

**Percentage of chain restaurants in terms of revenue, 2024**




**CR100 in China and United States catering market in terms of revenue, 2024**




**Key analysis**

- Chain restaurants have a relatively small presence in catering market in China in terms of revenue.
- In terms of revenue, chain restaurants in China accounted for 23.3% of the overall catering market in 2024, demonstrating huge growth potential as compared to 59.2% in the United States and 52.3% in Japan in 2024, and this number is expected to reach approximately 24.5% in China in 2029.
- In terms of concentration in 2024, the top 100 restaurant companies in China accounted for approximately 10% of total revenue of catering market in China, while in United States, the top 100 restaurant companies accounted for approximately 30.0% of the total revenue of the catering market. These differences show that chain restaurants in China have great potential in expanding in terms of market share.
- Since chain restaurant business is highly developed in the United States and Japan, chain restaurants have become the major player in their respective catering markets. Likewise, with the development of chain business, chain restaurants in China are expected to expand in terms of market share. The total revenue of chain restaurants is expected to grow at a faster rate than that of non-chain restaurants, which is primarily due to higher operating efficiency, more standardized food and services, better cost management and higher brand awareness of chain restaurants
- It is industry norm that more new restaurants will be opened in the second half of the years, as operators would normally started the new business after the Chinese New Year and it usually takes several months to do the preparation.

*Source: China Cuisine Association, China Insights Consultancy*

# 2. Analysis of Casual Chinese Fusion Restaurant Market in China

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## Overview and Breakdown of Catering Market in China

**Overview and breakdown of catering market in China, 2024**

| Market | Segment | Sub-segment | Market size | % of total | CAGR |
|---|---|---|---|---|---|
| Catering market in China（中国餐饮市场） | | | RMB5,571.8 billion | 100% | 9.0% |
| | Chinese cuisine（中餐） | | RMB3,071.5 billion | ~55% | 8.7% |
| | | Casual Chinese cuisine restaurants (including casual Chinese traditional cuisine and fusion cuisine restaurants)（中式休闲餐） | RMB534.7 billion | ~10% | 11.1% |
| | | Chinese fine dining restaurants（中式正餐） | RMB1,027.2 billion | ~18% | 7.0% |
| | | Chinese hotpot and barbeque restaurants（火锅及烧烤） | RMB1,509.5 billion | ~27% | 9.2% |
| | Western and Asian cuisine restaurants（西餐和亚洲餐） | | RMB689.5 billion | ~12% | 6.8% |
| | Fast food shops（快餐） | | RMB1,330.0 billion | ~24% | 9.6% |
| | Other eating and drinking places（其他餐饮和饮品类） | | RMB480.8 billion | ~9% | 12.1% |

RMBXX billion *Market size in 2024* ~xx% *As % of total catering market in China* ~XX% *2020-24 CAGR*

Source: China Hospitality Association, China Insights Consultancy

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## Definition and Categorization of Chinese Cuisine Restaurant market by Cuisine Type

- The market of Chinese restaurant can be divided into three types, casual Chinese restaurants, Chinese fine dining restaurants and Chinese hotpot and barbeque restaurants; among three types of restaurants, casual Chinese restaurants are getting popular.

- The market of Chinese restaurant can be divided into three types, casual Chinese restaurants, Chinese fine dining restaurants and Chinese hotpot and barbeque restaurants.
- Casual Chinese restaurants provides a variety of tastes in well-designed catering atmosphere at affordable prices, and thus are getting popular. Meanwhile, Chinese fine dining restaurants provides authentic Chinese dishes in elegant catering atmosphere at higher prices, and Chinese hotpot and barbeque restaurants offers single types of signature dishes.

**Overview and categorization of Chinese cuisine restaurant market by cuisine type, 2024**

| Category | Description | Per capita expenditure | Variety of customer group |
|---|---|---|---|
| Casual Chinese restaurants  | • Casual Chinese restaurants provide a variety of Chinese cuisine dishes in well-designed catering atmosphere and became quite popular in China. | Casual Chinese restaurants provide catering services at affordable prices, with per capita expenditure ranging from RMB50 to RMB100. | Casual Chinese restaurants target the mass consumer for their variety of tastes as well as affordable prices. |
| Chinese fine dining restaurants  | • Chinese fine dining restaurants are a classical type of restaurants in China that provide authentic Chinese dishes in elegant catering atmosphere. | Chinese fine-dining restaurants provide fine services at higher prices, with per capita expenditure over RMB100. | Businessman and individuals with higher income are target customers of Chinese fine dining restaurants. |
| Chinese hotpot and barbeque restaurants  | • Chinese hotpot and barbeque restaurants offer single type of signature dishes, such as hotpot, barbeque and grilled fish. This type of restaurants expanded rapidly recently. | Per capita expenditure of Chinese hotpot and barbeque restaurants ranges from RMB50 to RMB150, depending on different types of signature dishes. | Younger generations are target customers for their preference towards hotpot and barbeque dishes. |

*Segment that The Company operates in*

*Level from low to high*

Source: China Insights Consultancy



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## Breakdown of Chinese Cuisine Restaurant Market by Cuisine Type

- Casual Chinese restaurants is the fastest growing market segment in Chinese restaurant market; the market size of this segment fluctuated upwards from RMB351.3 billion in 2020 to RMB534.7 billion in 2024 with a CAGR of 11.1%, and is expected to grow at a CAGR of 9.1% from 2024 to 2029.

**Market size of Chinese restaurant market by cuisine type in terms of revenue, China, 2020-2029E**

| RMB billion | CAGR (2020-2024) | CAGR (2024-2029E) |
|---|---|---|
| **Total** | **8.7%** | **6.8%** |
| Casual Chinese cuisine restaurants | 11.1% | 9.1% |
| Chinese fine dining restaurants | 7.0% | 5.5% |
| Chinese hotpot and barbeque restaurants | 9.2% | 6.9% |


Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

**Key analysis**

- With faster pace of life and increasing spending power among consumers in China, casual Chinese cuisine restaurants are welcomed by consumers with their comfortable dining environment, affordable price and convenient and efficient dining experience, as compared to other Chinese cuisine restaurants, such as Chinese fine dining restaurants and hot pot restaurants. As a result, casual Chinese dining that has better value for money has the highest growth among all segments of Chinese restaurant market as consumers become more value conscious, and the market size of casual Chinese cuisine restaurant market fluctuated upwards from RMB351.3 billion in 2020 to RMB534.7 billion in 2024, representing a CAGR of 11.1%. Going forward, the total revenue of casual Chinese cuisine restaurants is expected to maintain a steady growth at a CAGR of 9.1% from 2024 to 2029, reaching RMB826.1 billion in 2029.
- With the declined popularity of fine dining catering in the market, casual Chinese cuisine restaurants have gradually become mainstream, and their total revenue grew as a percentage of Chinese cuisine restaurants from 16.0% in 2020 to 17.4% in 2024, and is expected to further increase to 19.3% in 2029.
- Providing finished Chinese dishes and fine dining services to customers at per capita expenditure over RMB100, the market size of Chinese fine dining restaurants fluctuated upwards from RMB784.3 billion in 2020 to RMB1,027.2 billion in 2024 with a CAGR of 7.0% and is expected to grow at 5.5% from 2024 to 2029.
- Focusing on signature dishes such as hotpot, barbeque, and grilled fish, the market size of Chinese hotpot and barbeque restaurants fluctuated upwards from RMB1,062.5 billion in 2020 to RMB1,509.5 billion in 2024 with a CAGR of 9.2%. Going forward, the market segment is also expected to grow at 6.9% from 2024 to 2029.

Source: National Bureau of Statistics, China Insights Consultancy

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## Definition and Categorization of the Casual Chinese Cuisine Restaurant market by Cuisine Type

- Adapting to evolving taste of consumer groups and serving different dining scenarios, casual Chinese fusion restaurants provide innovative and flexible menu items

- Casual Chinese cuisine restaurants refer to the catering service segment where restaurants offer Chinese cuisines made via traditional Chinese cooking methods, such as frying, braising, boiling, steaming, and stir-frying, and provide a variety of choices of finished Chinese dishes to customers at an affordable price (per capita expenditure between RMB50 and RMB100).
- Based on the provision of major cuisine type, casual Chinese cuisine restaurant segment can be divided into two types: casual Chinese traditional cuisine restaurants and casual Chinese fusion restaurants.

**Overview and categorization of casual Chinese cuisine restaurant market by cuisine type, 2024**

| Category | Description | Variety of tastes | Dining experience | Variety of customer group |
|---|---|---|---|---|
| Casual Chinese traditional cuisine restaurants  | Chinese traditional restaurants mainly provide dishes from one of "the traditional eight regional cuisines", such as the cuisine of Sichuan, Shandong, Guangdong, Jiangsu, Zhejiang, Fujian, Hunan and Anhui. | Chinese traditional cuisine restaurants offer authentic cuisine dishes that come from a single region. | In lack of innovation and diversity, casual Chinese traditional cuisine restaurants offers single style of dining experience. | Local consumers are the major consumers due to their preference for regional traditional cuisine. |
| Casual Chinese fusion restaurants  | Applying innovative ideas into their dish design, casual Chinese fusion restaurants introduce creative dishes and are adapt to different dining scenarios, including business dinner, social engagement, family gatherings and etc. | Chinese fusion restaurants provide dishes that combine various elements from cuisines of different regions and adjust the taste to satisfy the preferences of a diverse consumer base. | With beautiful decoration, creative dishes and high-quality and efficient service, Chinese fusion restaurants provide fashionable and fancy dining experience. | Casual Chinese fusion restaurants are positioned to target the mass market due to their flexibilities in serving a diverse consumer Group from the younger to the older generation. |

*Segment that The Company operates in*

*Level from low to high*

Source: China Insights Consultancy



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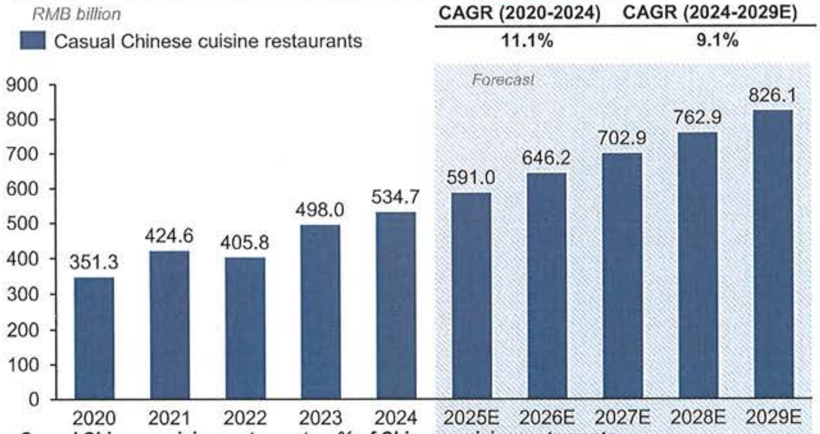
## Definition and Market Size of Casual Chinese Cuisine restaurant market in terms of Revenue

- Casual Chinese cuisine restaurant market, a major segment of mass market, represents an emerging type of restaurants in catering market in China, one which underwent growth at a CAGR of 11.1% from 2020 to 2024

**Definition of casual Chinese cuisine restaurant**

- Casual Chinese cuisine restaurant refers to the catering service segment where restaurants offer Chinese cuisines with traditional Chinese cooking methods, such as frying, braising, boiling, steaming, and stir-frying, and provide a variety of finished Chinese dishes to customers at affordable prices (per capita expenditure between RMB50 and RMB100).
- Based on the provision of major cuisine type, casual Chinese cuisine restaurant can be divided into two types, casual Chinese traditional cuisine restaurants, and casual Chinese fusion restaurants.
- Aimed at mass consumers, casual Chinese cuisine restaurants generally provide more laid-back and relaxed ambience with friendly environment and surroundings.

**Market size of casual Chinese cuisine restaurant market in terms of total revenue, 2020-2029E**




*Casual Chinese cuisine restaurant as % of Chinese cuisine restaurants*

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|---|
| 16.0% | 16.3% | 16.6% | 17.0% | 17.4% | 17.7% | 18.1% | 18.5% | 18.9% | 19.3% |

*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

**Key Analysis**

- The total revenue of casual Chinese restaurant market fluctuated upwards from RMB351.3 billion in 2020 to RMB534.7 billion in 2024, representing a CAGR of 11.1%. Going forward, the market size of casual Chinese restaurants is expected to reach RMB826.1 billion in 2029 with a CAGR of 9.1% from 2024 to 2029.
- Chinese fusion restaurants are flexible in menu based on price and availability of ingredients, thereby enabling them to maintain food quality, achieve robust financial performance and enhance risk tolerance.
- Due to huge differences in service types, cuisine types, per capita spending, locations and service qualities, table turnover rates exhibit high variances from restaurant to restaurant. Generally, casual Chinese cuisine restaurants that maintained table turnover rates between 2.0 to 3.5 are regarded as well-operating restaurants in normal years.
- However, the year of 2020 is a quite different year for catering market, due to temporarily closure of dine-in service during the epidemic, table turnover rates located between 1.0 to 3.0 for some well-operating restaurants. Fortunately, with the recovery of the catering market in 2023, the average table turnover rate returned to normal level, that is between 1.5 to 3.5.

Source: China Insights Consultancy

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## Demand Analysis of Casual Chinese Fusion Restaurant

- The solid demand for casual Chinese fusion restaurant will drive the growth of market as well as the recovery from the impact of COVID-19

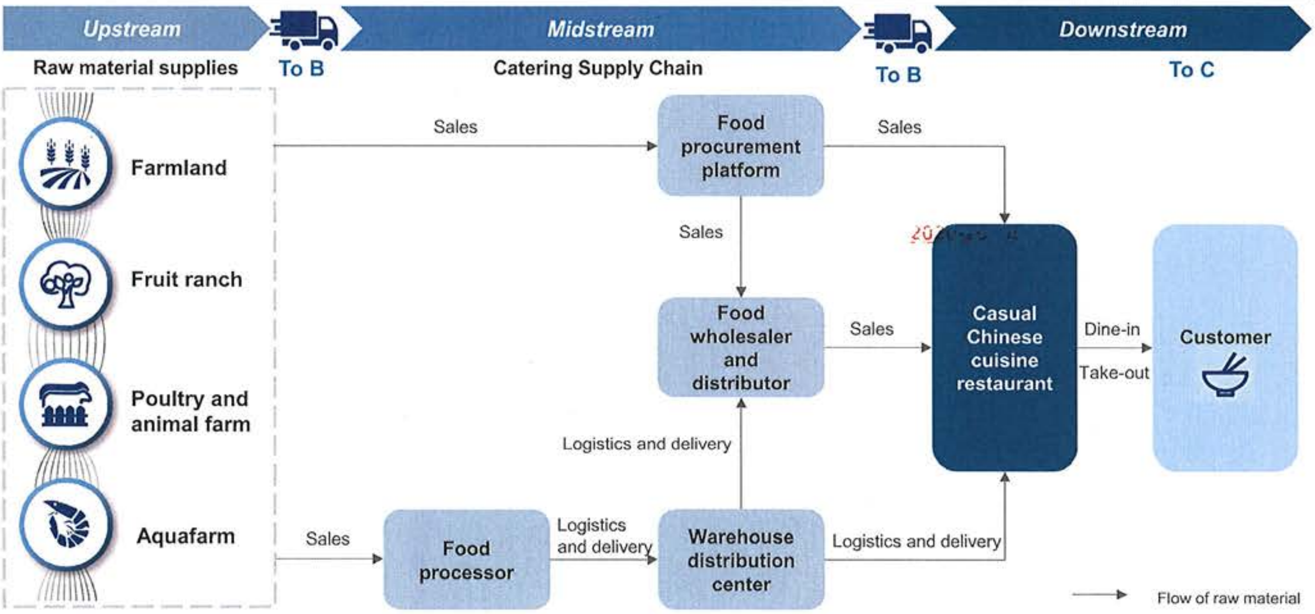
- **The demand for catering service is expected to further resume as catering activity will return to pre-epidemic level and the negative impact of the epidemic will fade away under proper prevention and control measures.**
  - As a huge market with market size of RMB4,672.1 billion in 2019, China's catering market has maintained rapid growth of a CAGR of 9.3% from 2016 to 2019, showing solid catering service demand in China.
  - Although China's catering market has been continuously affected by the negative effect of COVID-19 from 2020 to 2022, China's catering industry has recovered since 2023, with the revenue of China's catering market in 2024 reaching RMB5,571.8 billion, and exceeding 19.3% of the level in 2019.
  - Due to changes in people's dining consumption habits, the market size of dine-in catering market has grown more slowly compared to the overall catering market in China in recent years. Nevertheless, by 2024, the revenue for dine-in service has basically returned to the pre-pandemic level, with dine-in revenue reaching RMB4,050.1 billion in 2024, which represented a year-on-year decrease of only 0.4% compared with the year of 2019.
- **Although the market size of casual Chinese cuisine restaurant fluctuated upwards from RMB351.3 billion in 2020 to RMB534.7 billion in 2024 due to the recovery through epidemic of COVID-2019 , with a CAGR of 11.1%, the solid demand for Chinese cuisine will continue to drive the growth of casual Chinese fusion cuisine market, and the market size of casual Chinese cuisine restaurant is expected to reach RMB826.1 billion in 2029, representing a CAGR of 9.1% from 2024 to 2029.**
  - With long history and cultural heritage, Chinese cuisine is widely-welcomed by consumers in China, and Chinese cuisine restaurants has become a high-frequency choice in consumers' daily lives.
  - As the mass consumer chooses restaurants based on their consumption level, they prefer restaurants of medium pricing menu items that fits the mass consumption level. Casual Chinese fusion cuisine restaurant provide dining choices at affordable prices and is able to serve the mass consumer groups, which is the largest customer base in China.
  - Furthermore, casual Chinese fusion cuisine restaurants have highly flexible menus and will quickly adapt to the tastes of consumers from different regions and different age groups, ensuring their popularity in the fierce competition of China's catering market.
- **The Company is recovering at a faster pace compared to other major industry players, primarily due to its value-for-money pricing strategy, flexible supply chain and staffing arrangement, as well as its strong management capability.**



## Value Chain Analysis of Casual Chinese Cuisine Restaurant Market

- The value chain of the casual Chinese cuisine restaurant market mainly involves raw material suppliers, catering supply chain service providers, restaurant operators, and customers

Value chain of casual Chinese cuisine restaurant market

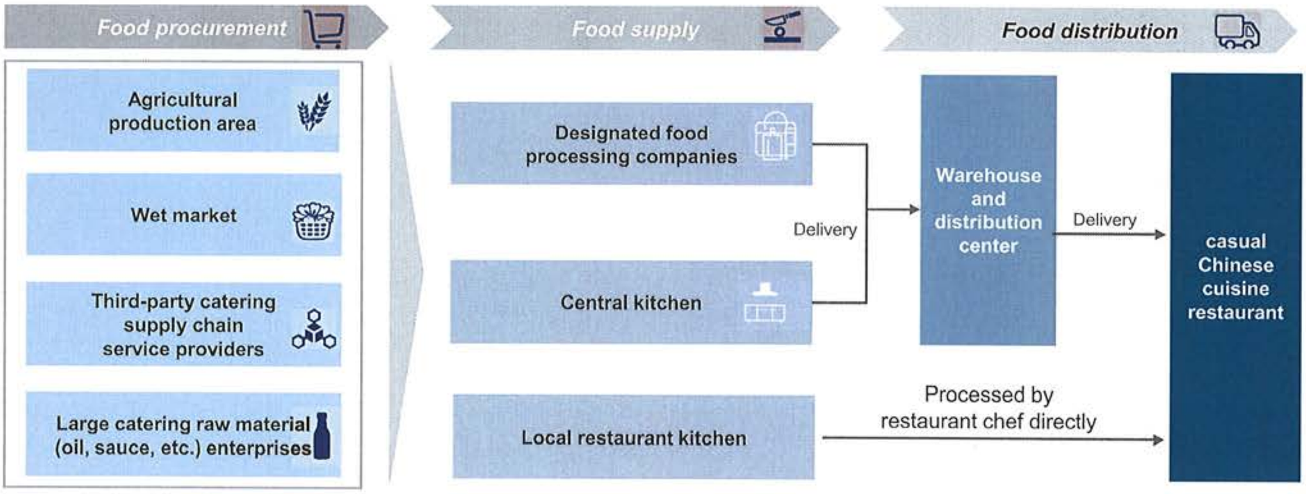



- The value chain of casual Chinese cuisine restaurant market mainly involves raw material suppliers, catering supply chain service providers, restaurant operators, and customers. The upstream of casual Chinese cuisine restaurant market refers to the supplies of food materials, from crop farmers, fruit farmers, poultry and animal farmers, to aquafarmers, which is highly fragmented. The midstream of casual Chinese cuisine restaurant market refers to the catering supply chain service providers, from food processor, food procurement platforms, wholesalers and distributors, to warehouse distribution centers. The downstream of casual Chinese cuisine restaurant market refers to casual Chinese cuisine restaurants and customers.

## Catering Supply Chain Analysis of Casual Chinese Cuisine Restaurant Market

- The catering supply chain of the casual Chinese cuisine restaurant market mainly involves food procurement, food processing, and food distribution; the food processing segment can be divided into three modes: processing by designated food processing companies, processing in central kitchen, and processing in local restaurant kitchen

**Catering supply chain of casual Chinese cuisine restaurant market**




- **Processing by designated food processing companies mode**: according to the formulation and processing method of catering enterprises, manufacturers carry out production in accordance with the given formula and process, and imitate the flavor of the semi-processed food and condiments prepared by chefs. Furthermore, food processing companies are able to deliver their products across China. As it creates higher utilization of the processing facilities as compared to central kitchens, medium to large restaurants chains increase their utilization of third-party food processing arrangements.
- **Processing in central kitchen mode**: this mode allows restaurant groups to produce products at one facility, then distribute them to their locations. They are also beneficial for the simple storage of food supplies and for food processing which may involve cooking, freezing, and delivering foods to multiple locations. However, the role of central kitchens in food delivery is constrained by a limited service radius.
- **Processing in local restaurant kitchen**: in this mode, food is delivered directly to the restaurant without food process, then the restaurant chef processes the food in the kitchen of the restaurant.
- Food safety and freshness is the top priority in the catering supply chain. The Chinese government has placed significant emphasis on the food service industry's improvement of catering supply chain management, purchasing and food processing, allowing administrations in multiple levels to conduct inspections, real-time analysis and other precautionary measures. Also, the centralized food preparation model streamlines kitchen operations and enables restaurants to reduce the sizes of both kitchen staff and kitchen space at each restaurant, thereby offering significant cost savings.

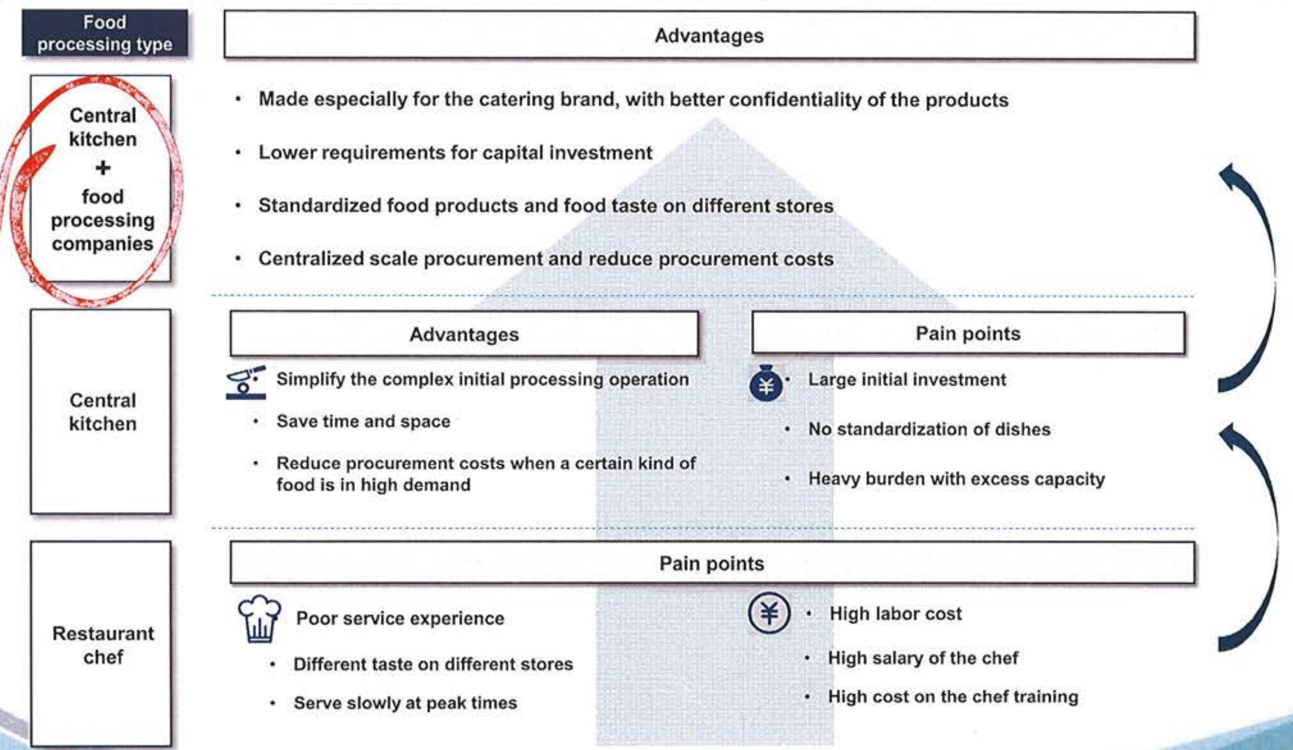
*Source: China Insights Consultancy*



## Trends of food processing type for Chinese Chain Restaurants (1/2)

- The food processing type for Chinese chain restaurants has been evolved from the restaurant chef to the central kitchen, and currently to the parallel model of the central kitchen and food processing companies

**Trends of food processing type for Chinese chain restaurants**



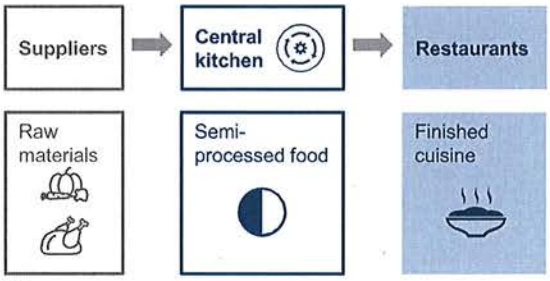

*Source: China Insights Consultancy*

## Trends of food processing type for Chinese Chain Restaurants (2/2)

- Instead of procuring raw materials and process food in central kitchens, restaurants are turning to food processing companies to procure semi-processed food while reserving parts of food processing functions in their central kitchens.

### Original version of central kitchen – Version 1.0

- In original version of central kitchen, restaurant operators setup their own central kitchens which procure raw materials from suppliers, process raw materials and deliver semi-processed food to restaurants.




***Advantages:***

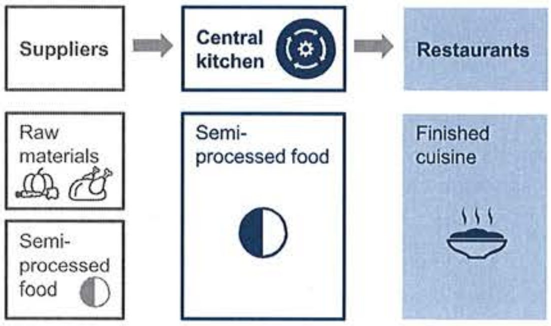
- By standardized operations and centralized procurement, central kitchens enable restaurants to ensure food safety and food quality, realize significant cost savings, and increase operation efficiency.

***Pain points:***

- Building and operating modernized central kitchens require heavy capital investments and might be financial burdens for restaurants.
- Most restaurant-owned central kitchens are traditional workshops that are inefficient and incompetent.

### Emerging version of central kitchen – Version 2.0

- With the presence of professional food processing companies, more restaurants adopt an emerging version of central kitchen, that is processing parts of raw materials in their central kitchens while procuring semi-processed food from food processing companies.




***Advantages:***

- From the perspective of restaurants, the emerging version of central kitchens provides not only cost savings of heavy investments in modernized central kitchens, but also improvements of operational efficiency by outsourcing part of food processing work to professional food processing companies, meanwhile reserving part of food processing work in their own central kitchens in order to ensure the confidentiality of their recipes.

*Source: China Insights Consultancy* 21

**Updated**

## Growth Potential of Casual Chinese Fusion Restaurant Market (1/2)

- The future growth potential of casual Chinese fusion restaurants is promising due to their targeting of the extensive market area of tier-two and tier-three and below cities, and their superior adaptability to different types of locations

- Casual Chinese fusion restaurants target the extensive area of tier-two and tier-three and below cities as their potential market, intending to take advantage of their strong adaptability to a wide range of consumer groups and dining scenarios. The future growth potential of casual Chinese fusion restaurant market is promising as it targets customers in tier two, tier three or lower tier cities, which represent approximately 75% of the market share of the catering market in China. These cities have also shown higher rates of market expansion as compared to the tier one cities.

**Overview of city tiers in China**

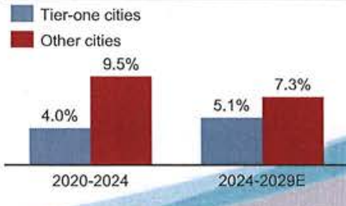
| City tier | Number of cities | CAGR of GDP per capita, 2020-2024 | Revenue share of catering market in China, by tier of cities |
|---|---|---|---|
| Tier-one and new tier-one cities | 19 | 3.4% | ~25%-30% |
| Tier-two and below cities | 318 | 8.5% | 70%-75% |

Potential market of the company

### Key Analysis

- The Chinese government issued Guiding Opinions on Accelerating the Development of Mass Market of Catering (《商务部关于加快发展大众化餐饮的指导意见》) to promote the upgrade of catering market. Wiih the support from the government, there is higher growth potential in the tier-two and below cities in China's catering service market. In line with the growing urbanization rate in China, the expenditure on catering of consumers in tier-two and tier-three and below cities accounted for the majority part of the total catering market in 2024. Also, it is becoming easier for consumers in these cities to access a wider range of restaurants as an increasing number of shopping malls have been established in tier-two and tier-three cities.

**CAGR of the catering market in terms of revenue by different tier of cities, China, 2020-2024 and 2024-2029E**




*Source: Statistical report on national economic and social development, China Insights Consultancy* 22

Updated

## Growth Potential of Casual Chinese Fusion Restaurant Market (2/2)

- The future growth potential of casual Chinese fusion restaurants is promising due to their targeting of the extensive market area of tier-two and tier-three cities, and their superior adaptability to different types of locations

- Casual Chinese fusion restaurants are suitable for different types of locations, including shopping malls, transportation hubs, tourist sites as well as office building and residential districts. At present, China has a large number of locations of different types that are available for restaurants operation, thereby providing an environment for excellent growth potential.
- By entering into different kinds of locations, casual Chinese fusion restaurants will be able to serve a wider range of customers in various dining scenarios, and expand in a faster manner than traditional restaurants.
- Restaurants located at tourist sites in general have longer lease term and higher table turnover rate compared to restaurants located elsewhere.

### Number of shopping malls

Number of shopping malls and department stores in China, 2020-2029E


- Shopping malls and department stores are ideal locations for restaurants, since they provide not only sufficient customer traffic, but also high-quality infrastructure that is essential to restaurants.
- From 2020 to 2024, the number of shopping malls and department stores increased from 11,067 in 2020 to 11,946 in 2024, and the number is expected to reach 13,066 by 2029.

### Number of transportation hubs

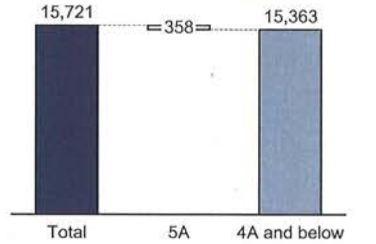
Key information of transportation hubs in China, 2024

| | Number of hubs, 2024 | Annual passenger flow, 2024 |
|---|---|---|
| | Unit | Billion person |
| Civil aviation | ~263 | 0.73 |
| Railway | ~3,300 | 4.31 |

- Transportation hubs are also ideal locations of restaurants. Transportation hubs such as airports and railway stations have a large volume of passengers and standardized structure, providing promising growth opportunities for restaurants.
- A large number of established railway stations and airports will be the location of restaurants and drive the future business growth.

### Number of tourist sites

Number of nationally certified tourist sites in China, breakdown by class, 2024




- Tourist sites are great potential locations for restaurants, since tourist sites have dense flow of visitors that are in need of catering services. China has over 15,721 nationally certified tourist sites, along with large number of visitors, offering ample opportunities for catering business.
- With travel industry continually growing, more travelers will visit tourist sites and benefit the local catering business.

Source: Ministry of Transport of the PRC, National Development and Reform Commission, Ministry of Culture and Tourism of the PRC, China Insights Consultancy 

Updated

## Market Drivers of Casual Chinese Fusion Restaurant Market (1/3)

- Key market drivers such as increasing demand for dining-out, greater growth potential for chain restaurants, rapidly developing commercial activities, expansion into tier two, tier three and lower cities, use of social media, rise of national style and the advancement of intelligent technology are likely to propel the continued growth of China's casual Chinese cuisine restaurant market

### 1 Increasing demand for dining-out

- Along with the rapid growth of urbanization, according to the National Bureau of Statistics, the per capita annual disposable income of urban households in China increased from RMB43,834.0 in 2020 to RMB54,188.0 in 2024 with a CAGR of 5.4%. Despite of the pandemic of COVID-19 once restricted people's dining out activities, with the restoration of living order, people's demand for dining out has reappeared. The per capita dining-out expenditure increased from RMB2,799.8 in 2020 to RMB3,956.5 in 2024 with a CAGR of 9.0%. Consumers in China are expected to incorporate dining-out consumption into their lifestyle, which will increase their dining out frequencies and promote dining-out culture. By 2029, per capita annual disposable income of urban household and per capita dining-out expenditure in China is expected to reach RMB70,171.0 and RMB5,619.5, respectively, with the CAGR of 5.3% and 7.3% from 2024 to 2029.

### 2 Greater growth potential for chain restaurants

- Compared to individual restaurants with limited resources, chain restaurants are expected to exploit the advantages of economies of scale and brand reputation resources. catering market in China will develop with greater growth potential for chain restaurants.
  - From the perspective of demand side, consumer prefer chain restaurants due to their high quality food, reputative brand influence as well as superior dining experience.
  - From the prospective of supply side, chain restaurants, supported by standard operation and professional management, are operating in multiple location, providing standardized food and services to ensure food quality and safety, collaborating closely with suppliers for lower cost, and earning higher public recognition through sizable operation.

### 3 Rapidly developing commercial activities

- The rapid development of commercial activities is generating new ideal locations for the opening of casual Chinese fusion restaurants, including shopping malls, transportation hubs and tourist sites, as well as office buildings, and residential districts. Public space will draw sufficient customer traffic and bring strong demand for catering services.

***Ideal locations for casual Chinese fusion restaurants:***


*Shopping malls*


*Transportation hubs*


*Tourist sites*


*Office buildings*


*Residential districts*

Source: NBS, China Insights Consultancy 

## Market Drivers and Trends of Casual Chinese Fusion Restaurant Market (2/3)

- Key market drivers such as increasing demand for dining-out, greater growth potential for chain restaurants, rapidly developing commercial activities, expansion into tier two, tier three and lower cities, use of social media, rise of national style and the advancement of intelligent technology are likely to propel the continued growth of China's casual Chinese cuisine restaurant market

### 4 Expansion into tier two, tier three and lower cities

- Casual Chinese fusion restaurants are likely to continue to expand into tier two, tier three and lower tier cities.
  - Chinese consumers value cost-effective dining experiences, quality of dishes, dining environment as well as dining service. As a result, casual Chinese fusion restaurants have become the ideal dine-out option for consumers by meeting the evolving demands of consumers for quality dishes with reasonable price and diversified tastes, especially in tier two, tier three and lower tier cities.
  - These cities typically have a large population base and growing economy. With the continuous development of tier two, tier three and lower tier cities, demand for casual Chinese fusion restaurants is expected to increase as consumers in these cities increase the frequency of dining out.
  - The growth of economy in these cities also entails increase in consumer purchasing power, which is likely to lead to higher spending at restaurants.

### 5 Use of social media

- Online social media platforms, where consumers share and read comments about dining experiences, have huge a huge influence over consumers in dining preference. Social media platforms will continue to promote the marketing activities of leading restaurants, enhancing their brand awareness in the market. In the meantime, restaurants with unique design and innovative menu are usually more popular on social media platforms. Such restaurants may gain more customer traffic as a result of the increasing influence of social media platforms

***Popular social media platforms:***

*Dianping, a leading lifestyle mobile app in China.*

*Douyin, a leading short video app in China.*

*Xiaohongshu, a thriving lifestyle community platform in China.*

*Weibo, a leading micro-blog platform in China.*



## Market Drivers and Trends of Casual Chinese Fusion Restaurant Market (3/3)

- Key market drivers such as increasing demand for dining-out, greater growth potential for chain restaurants, rapidly developing commercial activities, expansion into tier two, tier three and lower cities, use of social media, rise of national style and the advancement of intelligent technology are likely to propel the continued growth of China's casual Chinese cuisine restaurant market

### 6 Rise of national style

- The younger generations in China have demonstrated particular interest towards domestic brands and products that are embedded with traditional Chinese culture elements, a trend also known as "national style (国潮)". The younger generations appreciate domestic restaurants that offer traditional Chinese cuisine, and value the cultural meaning. Moreover, to attract consumer's attention and to exert the power of branding, chain restaurants have launched cross-over marketing events. These cross-over marketing events are jointly hosted by several domestic brands, using elements of traditional Chinese culture and aiming to attract younger generations and building brand loyalty. The rise of national style will benefit traditional culture and domestic brands and bring more opportunities to traditional Chinese cuisine restaurants.

### 7 Advancement of intelligent technology

- Restaurants are increasingly applying intelligent and digital technology into business to improve customers' dining experience and their own operation efficiency. Updated technology has been proven powerful in streamlining operation procedures, reducing consumers' waiting time and improving customer experience. As non-cash payments become increasingly common, risks related to cash management have been and are expected to remain at minimal level in the future.

***Examples of intelligent and digital applications in restaurants:***

*Consumers order food and make payment via scanning QR code.*

*Mobile queuing system enables consumers to check queue status remotely.*

## Future Trends of Casual Chinese Fusion Restaurant Market

- Future trends includes transition to a mature industry, continuous dish innovation and creativity and improvement of supply chain

### 1 Transition to a mature industry

- China's catering industry is experiencing a transition into being a mature industry, in which competent players are consolidating greater market share and less competitive market players are being eliminated.
  - In 2020, the outbreak of COVID-19 hit China's catering industry and accelerated the industry transition process. During the outbreak, the catering industry actively developed other business opportunities including food delivery business and restrictive dining services. Chain restaurants recovered quickly by efficient operation, sufficient resource and strong branding power, while less competent restaurants were eliminated, the catering industry has become more concentrated and mature.
  - In post pandemic era, chain restaurants will grow stronger with positive brand images established during the outbreak and their advantages of chain management and economies of scale.

### 2 Continuous dish innovation and creativity

- Since innovation and creativity is the core competitiveness of casual Chinese fusion restaurants, casual Chinese fusion applies innovative ideas into dish design and adapts to different dining scenarios and tastes of consumer in order to meet the rising catering demand, and is welcomed by the mass consumer. To improve attractiveness and competitiveness, casual Chinese fusion restaurants continually invest in R&D of creative dish design and are expected to enlarge customer base while leading the dining culture and fashion trends in the industry.

### 3 Improvements of supply chain

- The supply chain of China's catering industry has developed towards standardization and efficiency.
  - A complete supply chain is now serving China's catering industry, providing restaurants with full range of catering supplies, including food ingredients, semi-processed products and finished products.
  - Food processing companies that produce semi-processed food products has developed to reduce the workload of kitchens and ensure stable food quality. With the maturity of food processing companies, more restaurants started to procure semi-processed products in order to reduce operating costs and realize standardized production.

Source: China Insights Consultancy 

Updated

## Challenges of Casual Chinese Fusion Restaurant Market (1/2)

- Increasing operating costs, diversified consumer demands, fierce competition and uncertainty of supply chain service are the major challenges of casual Chinese fusion restaurant market

### 1 Increasing operating costs

- Labor costs and food ingredient costs constitute major portions of restaurant operating costs, and rising costs of labour and food ingredients has brought significant burden to restaurant operators. On the other hand, since employee turnover rate tend to be relatively higher in the catering industry, high labour turnover rates has exerted pressure and challenges to restaurants operators. Moreover, competition for experienced management and operating personnel in the catering service market is strong, and the pool of qualified candidates is limited. For restaurants, achieving balances between cost management and labour turnover rate will be a major challenge in daily operation and business growth.
  - The annual income of employees in the catering industry in urban area in China has increased steadily from 2019 to 2023, representing a CAGR of 3.6%.
  - China's food price index, its food inflation indicator, has increased by 15.1% from January 2019 to December 2024.
  - Meanwhile, rising prices due to inflation have led to higher food ingredient costs, squeezing gross margins of restaurant business.

### 2 Diversified consumer demands

- The changing tastes and diversified demands of consumers pose important challenges to casual Chinese fusion restaurant operators. Consumers pay more attention to personalization and variety of food choices.
  - After the epidemic of COVID-19, health becomes an important consideration for consumers when making dining choices. To achieve healthy diet habits and nutritional balance, consumers' eating habits are gradually transitioning from high-fat, high-carbohydrate, and high-calorie to low-calorie, zero-sugar, and zero-fat dishes, with a preference for dishes made with healthy, organic, and green ingredients.
  - Consumers pursue diversified tastes and personalized food choices, putting forward higher requirements for the novelty of dishes. Consumers especially young people are more willing to try novel dishes with new ingredient combinations and cooking techniques, which drives casual Chinese fusion restaurants to continue to innovate and launch new menus.

Source: NBS, Ministry of Human Resources and Social Security of the PRC, China Insights Consultancy 

Updated

## Challenges of Casual Chinese Fusion Restaurant Market (2/2)

- Increasing operating costs, diversified consumer demands, fierce competition and uncertainty of supply chain service are the major challenges of casual Chinese fusion restaurant market

**3 Fierce competition in the catering industry**

- Casual Chinese fusion restaurant market, with its large number of players and decentralized market share, will continue to be highly competitive. Since consumers are expected to increase dining-out frequencies as well as dining-out spending, Casual Chinese fusion restaurant market will attract large number of market participants, enhancing competition intensity of overall industry.
  - In 2024, there were about 7.8 million restaurants operating in China. Market participants in the industry are highly diversified, ranging from small family workshops and medium sized restaurants to large-scale chain restaurants. Different market participants have their own competitive advantages and market shares.
  - The customer traffic and average customer spending are affected by various factors, including macroeconomic factors, location of the restaurants, restaurants' menu mix and pricing, changes in discretionary spending patterns, as well as different spending and dine-out patterns for customers in different geographical locations.

**4 Uncertainty of supply chain service**

- The supply chain of catering market in China remains in an early stage with supply chain participants having low bargaining power. The uncertainty of supply chain development will bring risks and challenges to the overall catering industry.
  - The relatively low industrialization of agriculture in China has restricted supply chain companies to purchase on a large scale and hence limit their bargaining power towards upstream players.
  - Also, cold chain system plays an important role in distribution, avoiding food wastes due to temperature and ensuring food freshness. However, cold chain system is still incomplete in China and limit the business opportunities for supply chain companies.
  - Furthermore, due to fragmented catering market in China, restaurants in China diversified in its menu and their demand for supplies, making standardization and scale development difficult for supply chain companies.

Source: China Insights Consultancy 

# 3. Competition Analysis of Casual Chinese Fusion Restaurant Market in China

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## Competitive Landscape of Chinese Cuisine Restaurant Market in terms of Revenue (3/3)

- In 2024, the top 3 players accounted for approximately 1.8% of total Chinese cuisine restaurant market.

- The total revenue of Chinese cuisine restaurant market reached RMB3,071.5 billion in 2024, accounting for approximately 55.1% of the catering market in China. The Chinese cuisine restaurant market in China is extremely fragmented, with considerable amount of catering brands engaging in the market.
- The top 3 players accounted for approximately 1.8% of total Chinese cuisine restaurant market in terms of revenue in 2024.

**Rankings of top 3 players in Chinese cuisine restaurant market in terms of revenue, China, 2024**

| Restaurant brands | Background | Number of restaurants | Per capita spending (RMB) | Revenue (RMB billion) | Market share |
|---|---|---|---|---|---|
| Haidilao (海底捞) | • A listed hotpot restaurant brand established in 1994, founded in Jianyang, Sichuan province, and focusing on hotpot. | 1,368 | 100-110 | 42.8 | 1.4% |
| Xibeiyoumiancun (西贝莜面村) | • A non-listed hotpot restaurant brand established in 1988, headquartered in Beijing, and focusing on northwestern Chinese cuisine, such as noodles, lamb kebabs and rougamo. | 363 | 80-90 | ~5.5 | 0.2% |
| Xiaocaiyuan (小菜园) | • A listed restaurant brand established in 2013, headquartered in Tongling City, Anhui Province, and focusing on Anhui cuisine which caters to the mass Chinese population. | 667 | 60-70 | 5.2 | 0.2% |
| Sub total | | | | 53.4 | 1.8% |
| Total | | | | 3,071.5 | 100% |

Source: Annual Reports, China Insights Consultancy 

Updated

## Competitive Landscape of Casual Chinese Cuisine Restaurant Market in terms of Revenue (3/3)

- In 2024, Green Tea Restaurant achieved a revenue of RMB3.8 billion, ranking 4th in terms of revenue, with a market share of 0.7% among all casual Chinese cuisine restaurant market in China

- The total revenue of casual Chinese cuisine restaurant market reached RMB534.7 billion in 2024, accounting for approximately 9.6% of catering market in China. Casual Chinese cuisine restaurant market is also highly fragmented, with a large number of restaurant brands participating in the market.
- In 2024, the top 5 players accounted for approximately 3.9% of total casual Chinese cuisine restaurant market in terms of revenue.
- In 2024, Green Tea Restaurant achieved a revenue of RMB3.8 billion, ranking 4th in terms of revenue, with a market share of 0.7% among all casual Chinese cuisine restaurant market in China. And Green Tea is the largest in terms of revenue that focuses on offering fusion cuisine among the casual Chinese restaurant brands.

**Rankings of major players in casual Chinese cuisine restaurant market in terms of revenue, China, 2024**

| Restaurant brands | Background | Number of restaurants | City expansion (No.) | Per capita spending (RMB) | Revenue (RMB billion) | Market share |
|---|---|---|---|---|---|---|
| Xibeiyoumiancun (西贝莜面村) | • A non-listed restaurant brand established in 1988, headquartered in Beijing, and focusing on northwestern Chinese cuisine, such as noodles, lamb kebabs and rougamo. | 363 | 59 | 80-90 | ~5.5 | 1.0% |
| Xiaocaiyuan Restaurant (小菜园) | • A listed restaurant brand established in 2013, headquartered in Tongling City, Anhui Province, and focusing on Anhui cuisine which caters to the mass Chinese population. | 667 | 63 | 60-70 | 5.2 | 1.0% |
| Tai Er (太二酸菜鱼) | • A listed restaurant brand established in 2015, headquartered in Guangzhou City, Guangdong Province, and focusing on pickled Chinese sauerkraut fish | 634 | 116 | 70-80 | 4.4 | 0.8% |
| Green Tea Restaurant (绿茶餐厅) | • A restaurant brand established in 2008, headquartered in Hangzhou City, Zhejiang Province, and focusing on casual Chinese fusion | 465 | 141 | 50-70 | 3.8 | 0.7% |
| Grandma's Home (外婆家) | • A non-listed restaurant brand established in 1998, headquartered in Hangzhou City, Zhejiang Province, and focusing on Zhejiang cuisine with authentic Hangzhou flavors. | 108 | 29 | 60-70 | ~2.4 | 0.4% |
| Sub total | | | | | 21.3 | 3.9% |
| Total | | | | | 534.7 | 100% |

Source: Annual Reports, China Insights Consultancy 

Updated

## Competitive Landscape of Casual Chinese Cuisine Restaurant Market in terms of Restaurant Number

- In 2024, the restaurant number of Green Tea Restaurant surpassed the restaurant number of Xibeiyoumiancun, and reached 465 restaurants because of its effective expansion strategy, ranking 3th in terms of restaurant number among casual Chinese cuisine restaurant market in China.

**Rankings of top players in casual Chinese cuisine restaurant market, in terms of restaurant number, China, 2024**

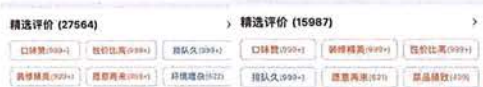
| Rank | Restaurant Group | Background | Number of restaurants | Major cities with large number of restaurants | City expansion (No.) | Number of new restaurants opened in 2024 |
|---|---|---|---|---|---|---|
| 1 | Xiaocaiyuan Restaurant (小菜园) | • A listed restaurant brand established in 2013, headquartered in Tongling City, Anhui Province, and focusing on Anhui cuisine which caters to the mass Chinese population. | 667 | • 60 in Nanjing<br>• 53 in Suzhou | 63 | 131 |
| 2 | Tai Er (太二酸菜鱼) | • A listed restaurant brand established in 2015, headquartered in Guangzhou City, Guangdong Province, and focusing on pickled Chinese sauerkraut fish | 634 | • 62 in Shanghai<br>• 52 in Shenzhen | 116 | 95 |
| 3 | Green Tea Restaurant (绿茶餐厅) | • A restaurant brand established in 2008, headquartered in Hangzhou City, Zhejiang Province, and focusing on casual Chinese fusion | 465 | • 45 in Beijing<br>• 34 in Shenzhen | 141 | 120 |
| 4 | Xibeiyoumiancun (西贝莜面村) | • A non-listed restaurant brand established in 1988, headquartered in Beijing, and focusing on northwestern Chinese cuisine, such as noodles, lamb kebabs and rougamo. | 363 | • 65 in Shanghai<br>• 60 in Beijing<br>• 23 in Shenzhen | 59 | 8 |
| 5 | Grandma's Home (外婆家) | • A non-listed restaurant brand established in 1998, headquartered in Hangzhou City, Zhejiang Province, and focusing on casual Zhejiang cuisine with authentic Hangzhou flavors. | 108 | • 37 in Hangzhou<br>• 13 in Beijing | 29 | 5 |

*Source: Annual Reports, China Insights Consultancy*



## Entry Barriers of Large-scale Restaurant Chain Brand (1/2)

- The entry barriers of casual Chinese restaurant market includes the ability to provide affordable high quality dining services, ability to continuously provide innovative cuisine, brand recognition and reputation, control over food safety and quality, supply chain management, and intelligent and digital technologies

| | Description | Examples |
|---|---|---|
| **Ability to provide affordable high quality dining services** | • Consumers in China are getting picky in choosing restaurants as their income and living standards improved. They prefer to choose restaurants that provide both creative cuisine and joyful dining environment in affordable prices. Thus, the ability to meet the demand of high quality service will be very essential to restaurants. | *High quality dining services in Green Tea Restaurants (绿茶餐厅).*  |
| **Ability to continuously provide innovative cuisine** | • Differentiated by creativity, casual Chinese fusion restaurant stand out in the catering market for its creative dishes. Due to fierce competition, restaurants that apply superior creativity and outstanding innovation into dish design will gain market advantages by introducing innovative fusion dishes and meeting the demand of diversified dining scenarios. | *Signature dishes creative casual Chinese fusion from Green Tea Restaurants (绿茶餐厅).*  |
| **Brand recognition and reputation** | • Brand awareness has become increasingly important to catering business as it is having ever greater influence on consumers' dining decisions. Therefore, restaurants with strong brand awareness will have larger customer base and become leaders of casual Chinese restaurant market. | *A great number of consumers share their comments of Green tea restaurants (绿茶餐厅) via Dianping (大众点评), a leading lifestyle mobile apps in China.*   |

*Source: China Insights Consultancy*

Updated

## Entry Barriers of Large-scale Restaurant Chain Brand (2/2)

- The entry barriers of casual Chinese restaurant market includes the ability to provide affordable high quality dining services, ability to continuously provide innovative cuisine, brand recognition and reputation, control over food safety and quality, supply chain management, and intelligent and digital technologies

| | Description | Examples |
|---|---|---|
| **Control over food safety and quality.** | • Food safety and food quality are the top considerations of consumers. Consumers prefer to consume in restaurants that provide reliable and high-standard food and catering services. Casual Chinese restaurants that have a strong reputation for food safety and are able to offer healthy food options are expected to experience stronger growth. Meanwhile, new market players may not have enough resources to establish a comprehensive food safety and quality control system. Meanwhile, the government published a series of policies to promote food quality and safety in catering industry. | *Representative policies about food safety:*<br>• In 2014, the State Council published Outline of China's food and nutrition development (2014 – 2020) (<中国食物与营养发展纲要(2014-2020年)>) that emphasizes the importance of insuring food safety and food quality.<br>• In 2018, the State Administration for Market Regulation published Guiding opinions on the work of bright kitchen in catering services (<餐饮服务明厨亮灶工作指导意见>) to encourage restaurants to display their real time food preparing process to consumers. |
| **Supply chain management** | • Supply chain management is crucial to restaurants operations to ensure food quality and safety, control purchase costs of supplies and timely delivery of necessary ingredients to restaurants. Extensive experience in supply chain management for large-scale operations and maintaining cost of efficiencies are key entry barriers for new market players. | *Food prices continue to rise in China despite of the epidemic of COVID-19 in the past several years :*<br>• *According to NBS, China's food price index, its food inflation indicator, has increased by 15.1% from January 2019 to December 2024.* |
| **Intelligent and digital technologies** | • By leveraging the latest digital technologies, leading chain restaurant operators have gradually achieved digitalization in their daily restaurant operations, membership management and supply chain management.<br>• Advanced intelligent technologies and facilities such as cooking robots, AI self-checkout machines, and intelligent food delivery robots etc., empower the omni-channel operational capabilities, leading to further improvements in restaurant efficiency and service. | *Green tea restaurants (绿茶餐厅) were among the first major restaurant chains in China to enable ordering through mobile phones.*  |

Source: NBS, China Insights Consultancy



## Entry Barriers of China's Catering Market

- Licenses, restaurant business know-hows, brand recognition and reputation, and location are the major barriers deterring newcomers entering the casual China's catering market

| Entry barriers | Implications |
|---|---|
| **Ability to provide affordable high quality dining services** | • Consumers in China are getting picky in choosing restaurants as their income and living standards improved. They prefer to choose restaurants that provide both creative cuisine and joyful dining environment in affordable prices. Thus, the ability to meet the demand of high quality service will be very essential to restaurants. |
| **Restaurant business know-hows** | • To effectively run restaurant business, it is essential for restaurant operators to have know-hows in the industry, including operational introduction of operation procedure, experience in site selection, coordination in the establishment of new restaurants and efficient staff management. For new restaurant operators, know-hows in restaurant business are key entry barriers in China's catering market. |
| **Brand recognition and reputation** | • Brand recognition and reputation are key indicators for customers in making dining decisions. A reputable brand is built up through the ability to provide high quality catering services, good word-of-mouth, and years of accumulated operation experience. Considering that existing market participants have already established their brand recognition and reputation, new entrants with newly established brands may find it hard to gain brand recognition from customers in the short term. Therefore, brand recognition and reputation is yet another entry barrier for newcomers in the China's catering market. |
| **Location** | • For a new business in China's catering market, the advantages of opening a restaurant in busy areas include promising revenue and marketing exposure. Since existing market participants have already taken up advantageous locations, such as shopping malls and popular sites with a high flow of customers, new entrants may find it difficult to acquire such locations. Hence, the location acts as a barrier deterring new entrants into China's catering market. |

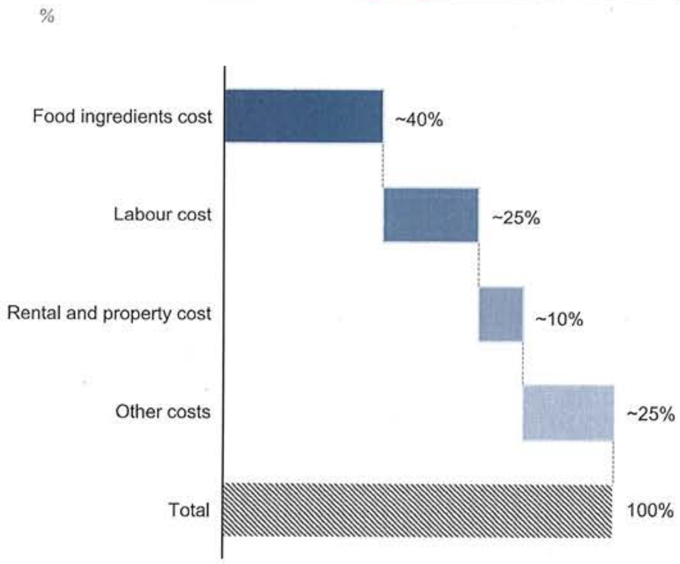
Source: China Insights Consultancy

Updated

# Cost Structure of a Typical Casual Chinese Cuisine Restaurant

-The top three operational costs for a typical casual Chinese cuisine restaurant restaurant are the food ingredients costs, labor costs and rental expenditure

**Cost structure of a typical Chinese cuisine restaurant in China, 2024**




*Note: Other costs include energy cost, commission from the delivery platform, depreciation and amortization, utility expenses, marketing and advertising expenses etc.*

**Key analysis**

- The food ingredients used in a casual Chinese cuisine restaurant usually include meat, rice, fresh vegetables and seafood such as fish and shrimp. This raw materials cost accounts for approximately 40% of total operational costs. As is customary in the industry, restaurants typically do not pass any short-term price increases of supplies to their guests.
- The catering industry is service-oriented and labour intensive, thus labor costs represent a substantial proportion of a restaurant's total costs. Typically, this accounts for approximately 25% of total costs. The labor cost is projected to increase as the salary in catering market in China is expected to continue increasing in the next few years.
- Rental and property cost accounts for approximately 10% of the total costs of a typical casual Chinese cuisine restaurant. The industry average of rental and property costs amounted to approximately 8% to 10% of total revenues. However, in well-developed areas such as Beijing and Shanghai, rental and property cost will account for a much higher proportion.
- Other costs include energy cost, commission from the delivery platform, depreciation and amortization, utility expenses, marketing and advertising expenses etc. Typically these cost will account for approximately 25% of a Chinese cuisine restaurant's total costs.
- While, as for different types of casual Chinese cuisine restaurants, the cost structure might be different due to consumers' different consumption behavior and operators' different operation mode.
- A majority of casual Chinese cuisine restaurant chains recorded restaurant level operating profit margin ranging from 10% to 18% in normal years.

*Source: China Hospitality Association, China Insights Consultancy*

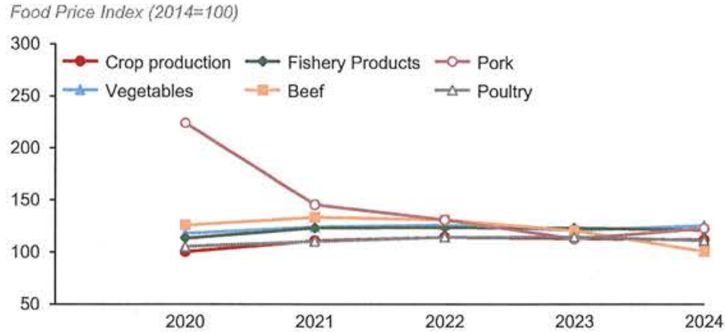


Updated

# Raw Material Cost and Labor Cost of Casual Chinese Fusion Restaurant Market

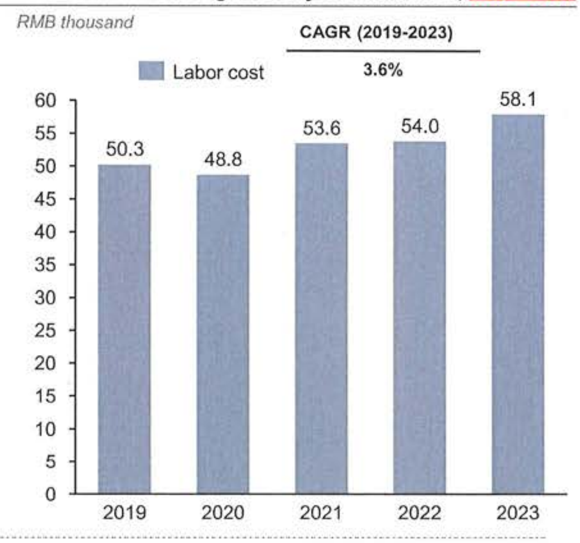
- The overall raw material and labor costs of casual Chinese fusion restaurants have increased in recent years

**Food price index of raw food material, China, 2020–2024**




| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Crop production | 100.4 | 111.0 | 114.3 | 113.4 | 111.9 |
| Vegetables | 117.9 | 124.5 | 126.2 | 121.1 | 125.8 |
| Fishery Products | 113.5 | 123.5 | 124.0 | 123.2 | 121.3 |
| Beef | 126.0 | 133.7 | 131.2 | 120.9 | 100.7 |
| Pork | 224.1 | 145.4 | 131.2 | 112.8 | 123.0 |
| Poultry | 105.2 | 110.2 | 114.4 | 114.5 | 111.2 |

**Labor cost of catering industry in urban area, 2019–2023**




- The major food ingredients used in casual Chinese fusion restaurants include crop products, vegetables, fishery products, beef, pork, and poultry. The price volatilities of such food ingredients are subject to factors such as domestic supply and demand, seasonality, weather conditions and natural disasters. Generally, the 2014 based food price index (year of 2014 = 100) of food remained relatively stable from 2020 to 2024. Among them, the food price index of pork has exhibited a notable decline from 2020 to 2024, primarily attributable to the increased availability of pork following the recovery from the COVID-19 pandemic's impact. Going forward, the food price index in Mainland China is expected to moderately increase, subject to economic growth and consumption environment.
- The annual income of employees in the catering industry in urban area in China has increased steadily from 2019 to 2023, representing a CAGR of 3.6%. The salary level in China and in particular, in the catering industry is expected to further increase. Labor cost is expected to keep growing in the coming five years due to developing macro-economy, growing disposable income and CPI, as well as the inflation.

*Note : The price indexes of crop production, vegetables, fishery products, beef, pork and poultry refer to the price indexes of agricultural production.*

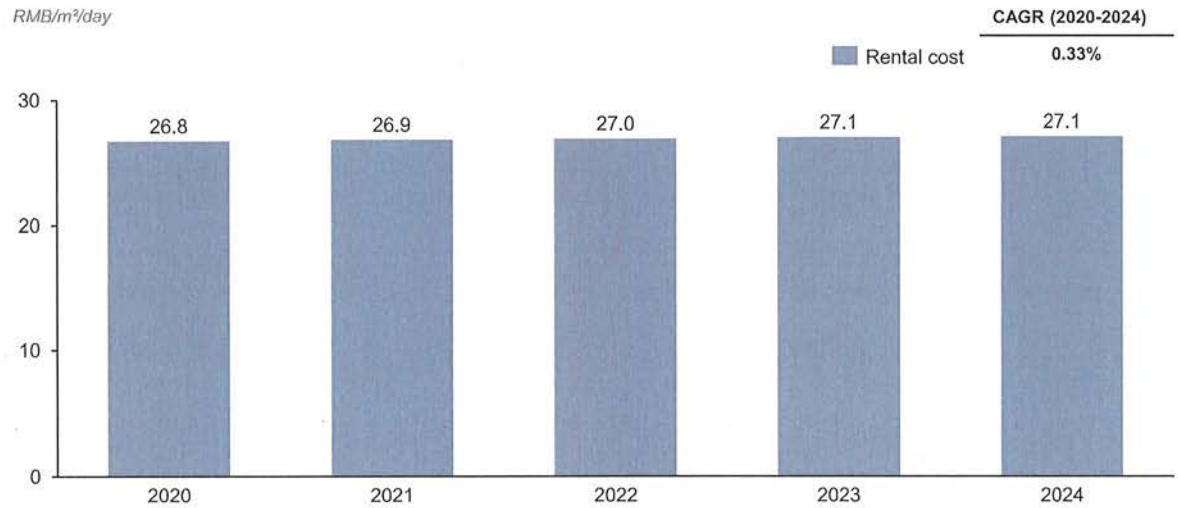
*Source: National Bureau of Statistics, China Insights Consultancy*

Updated

## Commercial Rental Cost of Casual Chinese Fusion Restaurant Market

- The overall commercial rental cost of casual Chinese fusion restaurants remained stable in recent years

**Average rental cost of stores in shopping malls, 2020–2024**




- The rental cost of a restaurant is also considered to be one of the major costs in China's catering industry. The average rental cost for stores in shopping malls in China remained stable at around RMB27.0 m²/day from 2020 to 2024 with a CAGR of 0.33%. With the further recovery of the consumer market, the average commercial rent of stores in shopping malls in China is expected to moderately increase in the future.

*Note: It refers to the average rental cost of stores in 100 typical shopping malls in China.*

*Source: China Real Estate Index System, China Insights Consultancy*



# 4. Analysis of Supply Chain Service for Catering Market in China

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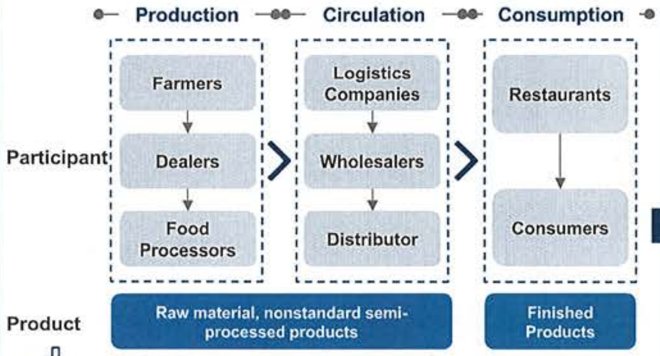
## Historical Development of Supply Chain Service for Catering Market in China

- Supply chain service for catering market in China has developed from the low-efficiency traditional supply chain to an emerging highly-efficient supply chain with the presence of supply chain companies that improve overall efficiency and distributes standard products

### Traditional supply chain for catering market

- Traditional supply chain for catering market includes three layers, production, circulation and consumption. Each layer has multiple participants. Most products are raw materials and nonstandard products.

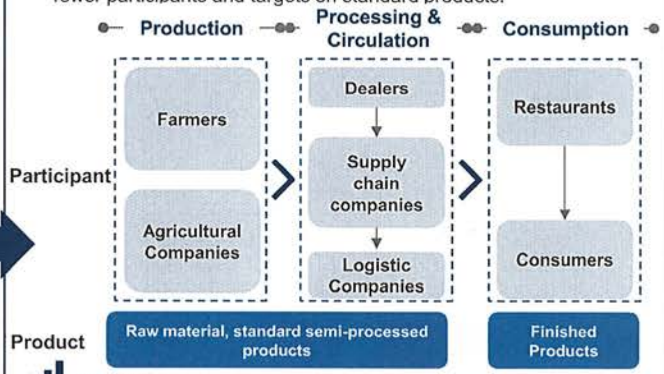



**_Weakness:_**

- Layers of participants traditional supply chain are driving up the prices of food supplies due to markups required by different participants.
- Most products in traditional supply chain are non-standard products that are difficult to standardize and different in quality.
- Multiple intermediaries including dealer, wholesalers and distributors participated in traditional supply chain and lower the distribution efficiency of food supplies.

### Emerging supply chain for catering market

- Emerging supply chain for catering market includes three layers, production, processing and circulation, and consumption. With the presence of supply chain companies, emerging supply chain has fewer participants and targets on standard products.




**_Strength:_**

- The reduced layers of participants in emerging supply chain has reduced intermediated costs and improved efficiency for the overall supply chain.
- Supply chain companies includes large raw material (oil, sauce, etc.) enterprise and food processing companies that produce standard semi-processed products. Large scale food processing partners offer several advantages, including high level of automation in production process, mature supply chain, stringent food safety standards and economies of scale.
- Logistic companies provide professional logistics services, including cold chain and normal temperature logistic services, to ensure freshness of food supplies.

Source: China Insights Consultancy



## Demand Analysis of Chinese Restaurants for Supply Chain Service

- Medium-sized and large restaurants are the major users of supply chain services in catering market in China, ordering supplies in large quantities and enjoying economies of scale. For small restaurants, most supplies are procured from local market instead of engaging supply chain companies

- By partnering with sizable catering supply chain service providers with trans-provincial operations, leading restaurant chains are able to rapidly scale up and expand nationally with relatively low upfront investments, while maintaining the highest standard of food safety and quality.

| | Large restaurants | Medium-sized restaurants | Small restaurants |
|---|---|---|---|
| Description | • Large restaurants are typically chain restaurants that implement large-scale centralized procurement and maintain stable relationship with supply chain companies. | • Medium-sized restaurants procure from both local markets and supply chain companies according to the categories of supplies. | • Small restaurants are typically family workshops in which operators procure supplies from local markets in person at a high frequency. |
| *Procurement of food supplies* | **Supply chain companies**<br>• Large restaurants mostly procure from supply chain companies.<br>• Centralized procurement system limit the number of employees with the authority to select suppliers and increase the effectiveness of internal control measures. | **Local market**<br>**Supply chain companies**<br>• Medium-sized restaurants procure from both local markets and supply chain companies. | **Local market**<br>• Small restaurants usually procure raw materials from local markets. |
| *Food Processing* | **Central kitchens**<br>**Factories of suppliers**<br>• Food are processed in central kitchens or central factories of food processing companies. | **Restaurant kitchens**<br>**Factories of suppliers**<br>• Food are processed in restaurant kitchens or central factories of food processing companies. | **Restaurant kitchens**<br>• Supplies procured from local markets are processed in kitchens by their own staffs. |
| *Delivery* | **Self-operating logistic companies**<br>**Professional logistic companies**<br>• Supplies are delivered to restaurants by self-operating logistic companies or by professional logistic companies. | **Local distributors**<br>**Professional logistic companies**<br>• Supplies are delivered by local distributors or by professional logistic companies. | **Local distributors**<br>**Pick up in person**<br>• Supplies are picked up by restaurant operators in person or delivered by local distributors. |

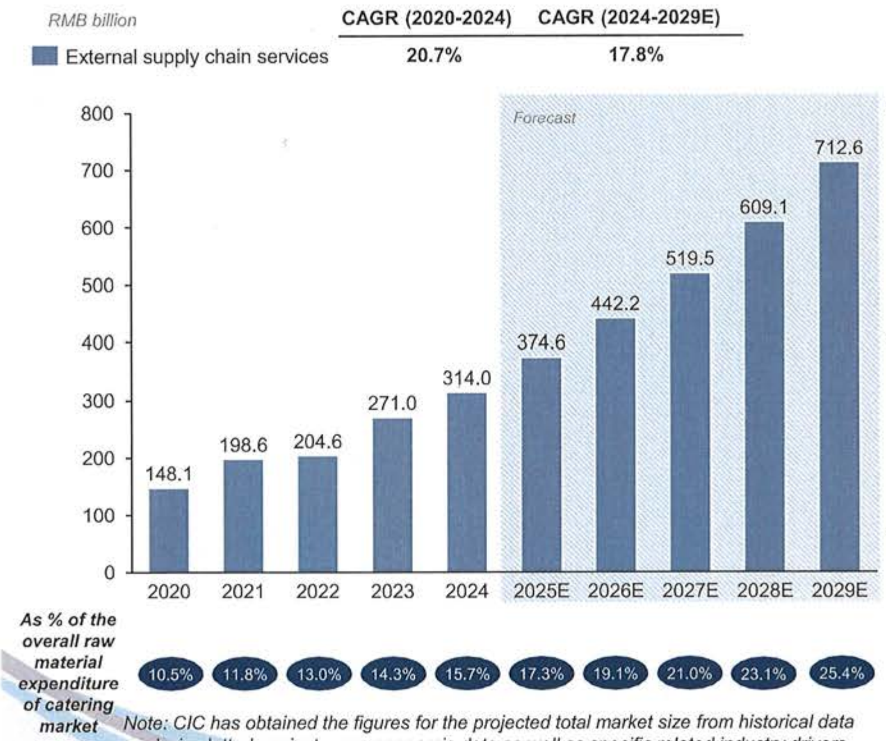
Source: China Insights Consultancy

Updated

## Market Size of Supply Chain Services for Catering Market in China

- The market size of external supply chain services for catering market in China fluctuated upwards from 2020 to 2024; The supply chain operation has been gradually changed to the parallel mode of the central kitchen and the third-party catering supply chain providers.

**Market size of supply chain services for catering market in terms of revenue, China, 2020-2029E**




*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

**Key Analysis**

- Total revenue of catering market in China hit RMB5.6 trillion in 2024. Based on the food material cost ratio of approximately 35%, overall raw material expenditure of catering market reaches approximately RMB2.0 trillion in China as of 2024.
- The market size of external supply chain services for catering market in China fluctuated upwards from 2020 to 2024 due to the recovery through epidemic of COVID-2019. Total revenue of external supply chain services market fluctuated upwards from RMB148.1 billion in 2020 to RMB314.0 billion in 2024, representing a CAGR of 20.7%. The market is expected to maintain its growing trend and reach RMB712.6 billion in 2029 with a CAGR of 17.8% from 2024 to 2029.
- Food raw material cost control requirements of catering enterprises, and huge procurement scale and the growth space from the upstream food material supply market are important factors driving the rise of catering supply chain service market in recent years. The service system of the restaurant brand has gradually changed to the parallel mode of the central kitchen and the third-party catering supply chain companies.
- Restaurants typically have multiple suppliers for each of their main semi-processed food products and food ingredients to minimize any potential disruption in operations, maintain sourcing stability, avoid over-reliance risk, and secure competitive prices from suppliers. The percentage of expenditure on external supply chain services of the overall raw material expenditure of catering market has increased from 10.5% in 2020 to 15.7% in 2024, and is expected to further increase to 25.4% in 2029.

*Source: China Insights Consultancy*



## Comparison of Supply Chain Market with Developed Countries

- Compared to developed countries, such as the U.S. and Japan, the supply chain market for catering service in China is still at an early development stage and has large development potential.

**Development of the supply chain market for catering service, in the U.S. and Japan and China, 2019**


**Comparison of supply chain market for catering service in the U.S. and Japan and China, 2019**

| | The U.S. | Japan | China |
|---|---|---|---|
| Chain rate of catering market, in terms of No. | 54.3% | 49.7% | 10.3% |
| Wholesale markets as % of agricultural products supply | ~20% | 50-60% | 70%-80% |
| Loss rate of fresh products | 25-30% | <5% | 1-2% |
| Precooling preservation rate | 80-100% | 80-90% | ~30% |
| Leading company and its revenue | Sysco USD60 billion | NIPPON ACCESS, INC. USD20 billion | 蜀海供应链 ~USD0.7 billion |

*Source: China Insights Consultancy*

## Introduction of the Leading Companies in the Supply Chain Service for Catering Market in China

- Leading catering supply chain service providers are moving towards specialization and diversification and have begun to offer trans-provincial operations

- Food supply chain service providers designed for catering businesses, provide catering supply chain services including production, sales, procurement, quality assurance, warehousing, and transportation, allowing restaurant owners to have stable access to fresh and high quality food. Leading catering supply chain service providers are moving towards specialization and diversification. With the development of the cold chain logistics industry, leading catering supply chain service providers have begun to offer trans-provincial operations.
- In terms of the service type, catering supply chain service providers are divided into five types: food production, food procurement, food processing, food distribution and information stream. The following table sets forth the leading companies of different type in the supply chain service for catering market in China.

**Introduction of the leading companies in the supply chain service for catering market in China**

**Food production**: 新希望六和 NEW HOPE LIUHE; 正大集团 CP GROUP; 望家欢; 中粮 COFCO; 大象农牧 DAXIANG FARMING; 乐禾食品 LEHE FOOD

**Food procurement**: 分分钟; 冻品在线; FARMLINK 链农; 美菜 meicai.cn; 彩食鲜

**Food processing**: 蜀海供应链 SHUHAI SUPPLY CHAIN SOLUTIONS; 信良記; 海天; JIAYUAN; 大膳門 COOK.COM; 千味央厨

**Food distribution**: 京东物流 JD Logistics; SF EXPRESS 顺丰速运; ExFresh 安鲜达; 唯捷城配

**Information stream**: 蔬东坡; 哗啦啦 www.hualala.com; 宋小菜 SONGXIAOCAI.COM; 有菜; 晶链通



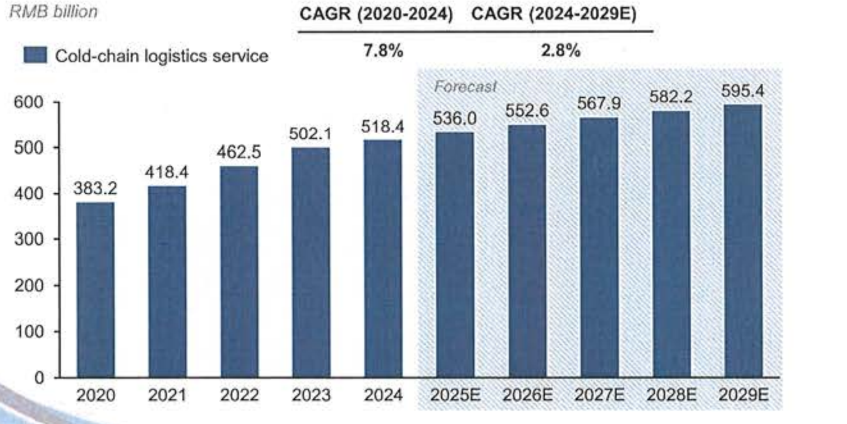
Updated

## Overview and Market Size of Food Cold Chain Logistics Market in China

- The food cold chain logistics market is driven primarily by meat, aquatic products, quick-frozen food, fruits and vegetable, and dairy products, the market size of food cold chain logistics market reached approximately RMB518.4 billion in 2024 and with a CAGR of 7.8% from 2020 to 2024.

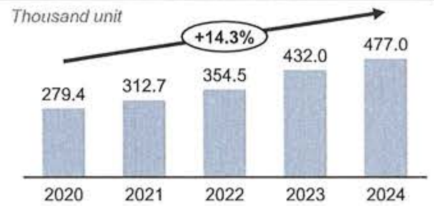
- China takes a leading position in the supply of agricultural and animal products, but due to the shortage of cold storage and a lack of cold chain systems, there is serious loss of quality and quantity in transport. In China, the distribution channels of food raw materials are still dominated by the wholesale market. Vegetables, fruits, live poultry, aquatic products and other agricultural products are harvested and purchased from scattered farmers. After multi-level wholesale markets, these agricultural products are transported to the retail sale markets, then finally reach consumers. This type of long transport has become one of the main reasons for serious food incidents, and the demand for cold chain logistics is improving.
- China see an increase in food consumption and there is a growing market demand for cold chain of food alongside the accelerating urbanization in China. Food cold chain logistics market is driven primarily by meat, aquatic products, quick-frozen food, fruits and vegetable, and dairy products, the market size of food cold chain logistics market reached approximately RMB518.4 billion in 2024 and with a CAGR of 7.8% from 2020 to 2024. Among these products the fruit and vegetable cold chain is the largest market segment in terms of cold chain circulation, and aquatic products have a fast-growing demand for cold chain.
- The food cold chain logistics market mainly includes low-temperature processing, low-temperature storage, low-temperature transportation, distribution and low-temperature sales of agricultural products, with the characteristics of complexity, high cost and high coordination requirement.

**Market size of food cold chain logistics market in terms of revenue, China, 2020-2029E**

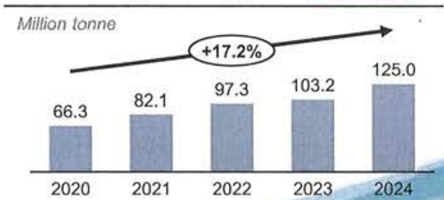



*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

**Refrigerator car parc, China, 2020-2024**




**Cold storage capacity, China, 2020-2024**

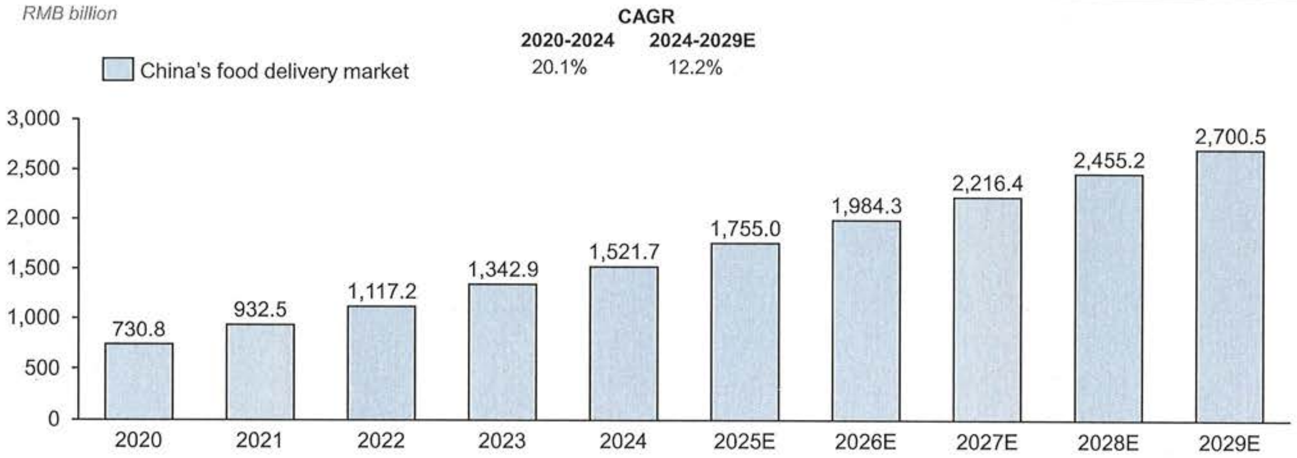


Updated

## China's Food Delivery Market

- The market size of food delivery sector in the PRC has expanded rapidly from RMB730.8 billion in 2020 to RMB1,521.7 billion in 2024, and is expected to grow at a CAGR of 12.2% from 2024 to 2029, reaching RMB2,700.5 billion by 2029.

**Market size of China's food delivery market, China, 2020-2029E**




- Food delivery service is an important supplement to casual Chinese fusion restaurant market. As more consumers became frequent users of food delivery services, more restaurants participated in the food delivery business to supplement their dining-in business.
- The market size of food delivery sector increased from approximately RMB730.8 billion in 2020 to approximately RMB1,521.7 billion in 2024 with a CAGR of 20.1%, and is expected to grow at a CAGR of 12.2% from 2024 to 2029.

*Note: CIC has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.*

*Source: China Insights Consultancy* 

## 5. Appendix

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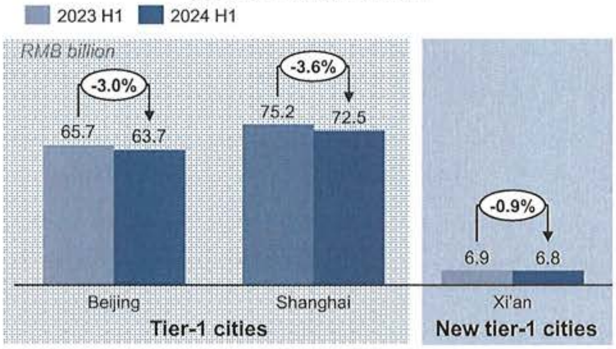
## Weak Performance of China's Catering Market in the First Half of 2024 (1/2)

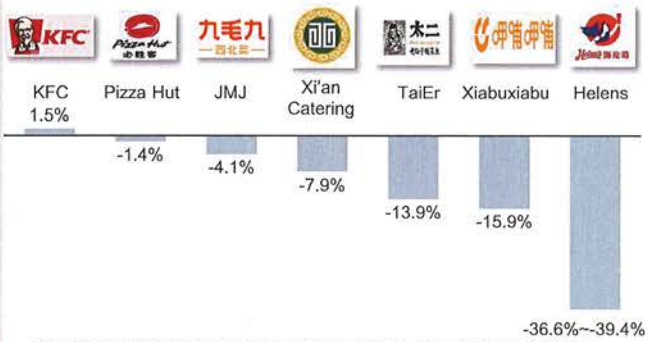
- In general, China's catering market showed a relatively weak growth in 2024 H1.

**Catering revenue in typical tier-1 and new tier-1 cities in 2023 H1 and 2024 H1**




*Notes:*
*(1) The data of Shanghai includes the revenue of both catering and accommodation industries in Shanghai.*
*(2) The data of Xi'an refers to the overall catering revenue in the five months ended May 31 in 2023 and 2024 respectively.*

**Year-on-year revenue growth rates of leading catering brands in 2024 H1 compared to 2023 H1**




*Note: The year-on-year revenue growth rates of KFC, Pizza Hut, Xi'an Catering, Xiabuxiabu and Helens refer to the overall revenue growth rates, while the year-on-year revenue growth rates of JMJ & TaiEr refer to the average daily same store sales growth rates (SSSG) in the first quarter of 2024 compared to the same period in 2023.*

**Key analysis**

- Due to the cost-effective dining preference of consumers and increased catering choices, the catering market in China has become highly competitive along with a relatively weak performance in 2024 H1.
- The catering market in typical tier-1 and new tier-1 cities showed a negative growth in 2024 H1. Among them, the catering revenue of Beijing, Shanghai and Xi'an decreased by 3.0%, 3.6%, 0.9% respectively in 2024 H1 compared to the same period in 2023.
- The revenue of leading catering brands such as JMJ, TaiEr, KFC, Pizza Hut, Xi'an Catering, Xiabuxiabu and Helens also experienced a weak or even negative growth in 2024 H1. Specifically, the revenue of Xiabuxiabu and Helens even decreased by 15.9% and 39.4% respectively in 2024 H1 compared to the same period in 2023.

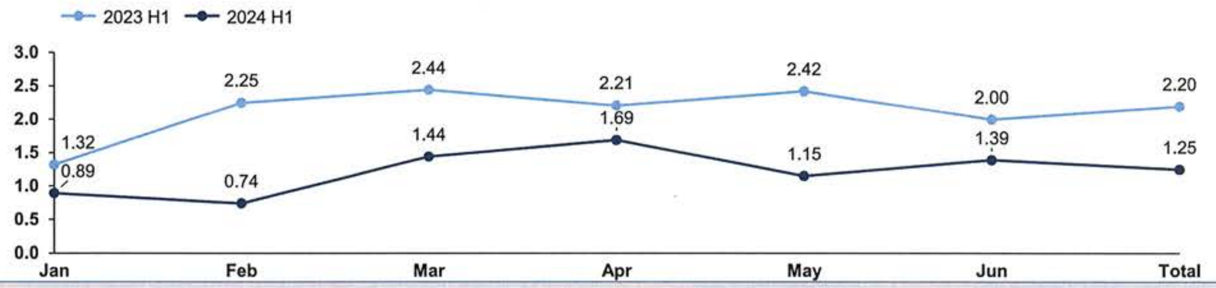
*Source: Quarterly Reports, China Insights Consultancy*



## Weak Performance of China's Catering Market in the First Half of 2024 (2/2)

- In 2024 H1, the number of store closures has significantly increased, yet the number of new store openings did not reach the levels of the same period in 2023.

**Ratio of store openings to closures* in 2023 H1 and 2024 H1**




| | Unit | Year | Jan | Feb | Mar | Apr | May | Jun | Total |
|---|---|---|---|---|---|---|---|---|---|
| Store openings | thousand | 2023 H1 | 78.5 | 275.7 | 417.0 | 322.0 | 389.0 | 360.0 | 1,842.2 |
| | thousand | 2024 H1 | 153.4 | 85.0 | 312.6 | 316.4 | 256.0 | 203.0 | 1,326.4 |
| Store closures | thousand | 2023 H1 | 59.3 | 122.6 | 170.9 | 145.4 | 161.0 | 180.0 | 839.2 |
| | thousand | 2024 H1 | 173.1 | 114.8 | 217.2 | 187.3 | 223.0 | 146.0 | 1,061.4 |

**Key analysis**

- The ratio of store openings to closures in 2024 H1 is generally lower than that in 2023 H1.
- Based on the trend of store openings and closures, the pace of new store openings has slowed in 2024 H1 compared to the same period in 2023, and the number of store closures has significantly increased in 2024 H1 compared to that in 2023 H1.
- As of June 30th in 2024, the number of store closures has reached 1,061 thousand, which is significantly higher than the total number of store closures in 2023 H1. It can be seen that the catering market is gradually entering a stage of saturation, where competition is intensifying.

**Note: The ratio is calculated by dividing the number of store openings by the number of store closures.*

## Survey of Consumers' Catering Preferences in 2023

- By collecting and researching the changes in consumers' behaviors and attitudes towards catering market, cost-effective dishes have become the top choice for consumers when dining out.

### The survey of consumers' catering preferences in 2023

**Research objects**

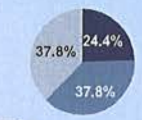
- People over the age of 18.

**Research target**

- By collecting and researching the changes in consumers' behaviors and attitudes towards catering market to identify their core needs for Chinese catering market.

- **Sample size:** N = 3000
- **Sample condition:** Have dining-out experiences in the past month
- **Sample distribution:**

**By city level**




City level:

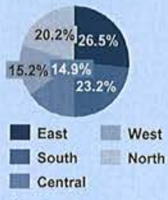
- ✓ Tier-one: N=733
- ✓ New tier-one & Tier-two : N=1133
- ✓ Tier-three & below cities : N=1134

**By ages**


Ages:

- ✓ 18-29: N=1194
- ✓ 30-39 : N=810
- ✓ 40-49 : N=713
- ✓ 50+ : N=283

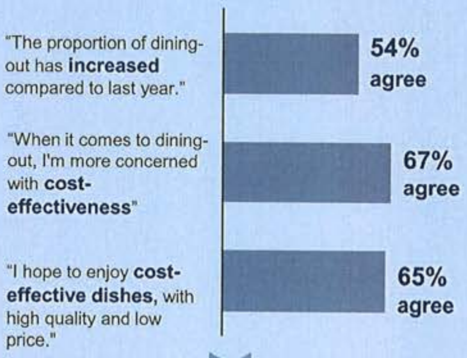
**By regions**




Regions:

- ✓ East: N=795
- ✓ South : N=697
- ✓ Central : N=448
- ✓ West : N=455
- ✓ North : N=605

### Key findings




**The dining-out frequency of consumers has increased, and cost-effective dishes have become the top choice for consumers.**

*Source: 2024 White Paper on Chinese Catering in China, China Insights Consultancy*

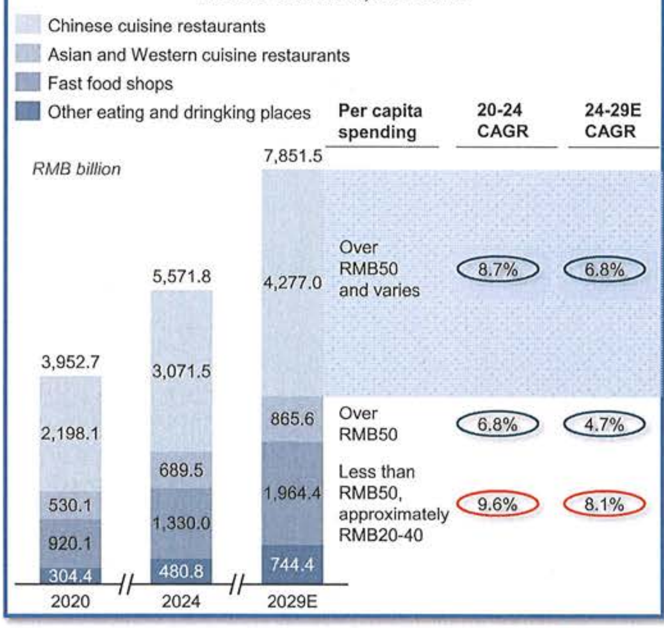


Updated

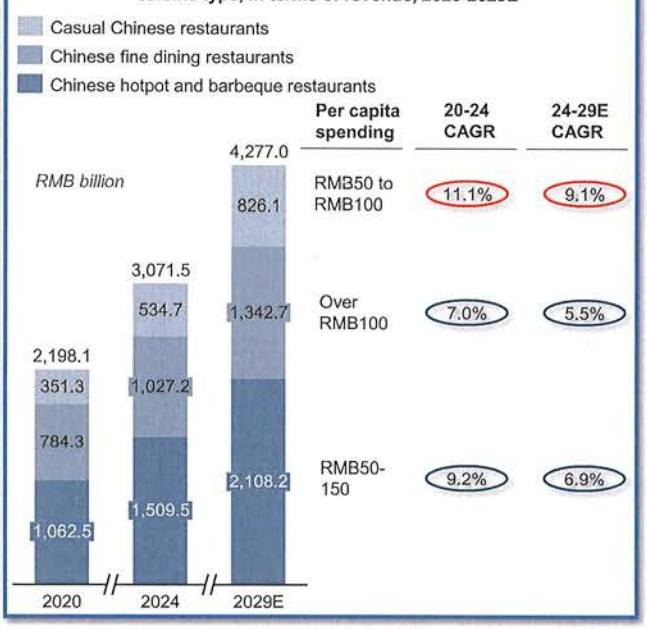
## Market Size of Catering Market in China by Cuisine Type in Terms of Revenue

- The market size of restaurants with lower per capita spending are growing faster than that with higher per capita spending in China's catering market.

**Market size of catering market in China by cuisine type, in terms of revenue, 2020-2029E**




**Market size of Chinese cuisine restaurant market in China by cuisine type, in terms of revenue, 2020-2029E**




### Key analysis

- The market size of restaurants with lower per capita spending are growing faster than that with higher per capita spending in China's catering market.

*Source: China Insights Consultancy*

Updated

## Price Cutting Measures of Representative Catering Brands

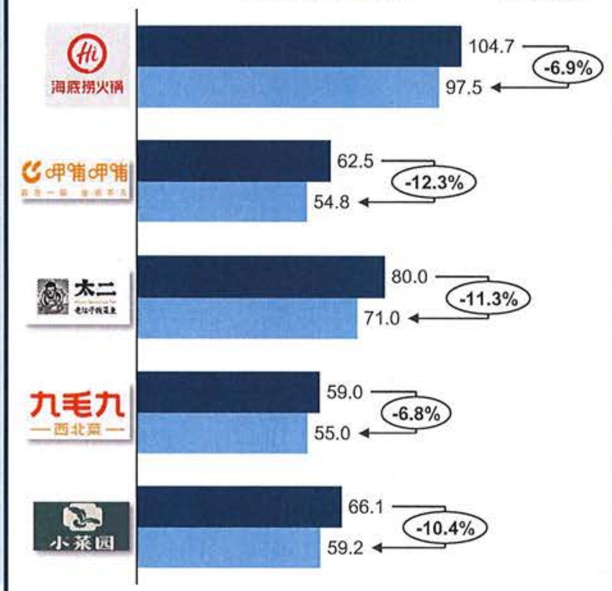
- In line with the trend that consumers are increasingly paying attention to cost-effective dining experience, many representative catering brands are implementing various price cutting measures, which leads to a decrease of average spending per customer in recent years.

- Many representative catering brands are implementing various price cutting measures to cater to consumers' cost-effective dining preferences in recent years.
- Along with the cutting measures of representative catering brands, the average spending per customer of different Chinese cuisine brands has decreased from 2021 to 2024, and is expected to maintain this trend in the foreseeable future.

**Price cutting measures of catering brands**

| Brands | Price cutting measures | |
|---|---|---|
| Hidilao | • Haidilao has launched a set meal at a discount of 22% in a social media platform in 2022. |  |
| Xiabuxiabu | • In May 2024, XiabuXiabu announced a price cutting, and the overall price reduction was around 10%. |  |
| BINGZ | • In May 2024, BINGZ launched various low-priced set meals, and the price of a classic dish has been reduced to RMB9.9. |  |
| KFC | • Since 2022, KFC has been implementing a price cutting measure, including the OK set meal priced at RMB19.9 and lower delivery fee. |  |
|  | • A large number of catering brands have launched discount set meals on various social media platforms to attract more customers and improve brand reputation. | |

**Average spending per customer of different Chinese cuisine brands, 2021 vs 2024**




Source: Annual Reports, China Insights Consultancy 53

Updated

## Growth Potential of the Catering Market in Lower Tier Cities

- The catering market in lower tier cities where cost-effective dining options are easier to provide can capture a more significant growth compared with tier-1 cities.

**Market drivers of catering market in lower tier cities**

1 **Favorable policies**

- The Chinese government issued *Guiding Opinions on Promoting High-Quality Development of the Catering Industry* (《关于促进餐饮业高质量发展的指导意见》) in March, 2024 to encourage chain restaurant brands to enter into the lower tier cities.

2 **Expansion of casual Chinese fusion restaurants**

- Casual Chinese fusion restaurants have become the ideal dine-out option for consumers by meeting the evolving demands of consumers for quality dishes with reasonable price and diversified tastes, especially in lower tier cities.

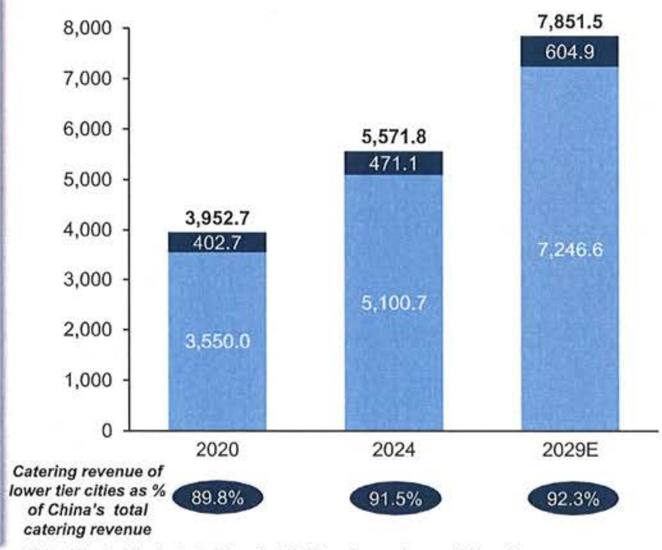
3 **Lower rental and labor costs**

- Due to the lower rental and labor costs, it is easier for the restaurant in lower tier cities to provide cost-effective dining options.
- For example, the average labor cost of urban area in Guangzhou reached RMB154,475 in 2023, while the average labor cost of urban area in Xiamen, one of the tier 2 cities was RMB123,081 in 2023.

**Market size of China's catering market by different tier of cities in terms of revenue, 2020-2029E**

RMB billion

| | CAGR (2020-2024) | CAGR (2024-2029E) |
|---|---|---|
| Total | 9.0% | 7.1% |
| Tier-1 cities** | 4.0% | 5.1% |
| Lower tier cities | 9.5% | 7.3% |




*Note: Tier-1 cities include Shanghai, Beijing, Guangzhou and Shenzhen.

Source: Statistical report on national economic and social development, China Insights Consultancy 54

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# Key performance indicators of the Company

**Key performance indicators**

- The Company's calculation of table turnover rate constitutes a fair and accurate representation of the Company's restaurant operating performance. The Company's calculation of table turnover is generally in line with the industry norm and the table turnover rate calculation from the Company and industry peers are listed below:

| Company | Calculation of table turnover |
|---|---|
| The Company | Calculated by dividing the total dine-in orders served for the period by the sum of products of total restaurant operation days for the period and table count of each restaurant during the period in the same region. |
| Haidilao | Calculated by dividing the total tables served for the period by the product of total operation days for the period and average table count during the period. |
| Jiumaojiu | Calculated by dividing the total customer flow during the year by the product of the total restaurant operating days and the average table count. |
| Xiabuxiabu | Calculated by dividing the total customer flow during the year by the product of the total restaurant operating days and the average table count (for the part of bar seats); Calculated by dividing the total customer flow during the year by the product of the total restaurant operating days and the average table count (for the part of tables). |

- The Company's definition of "same stores" enables a fair and accurate representation of the quality of the Company's restaurant portfolio and that such definition is in line with industry practice, and this calculation method is common in merger and acquisition transactions in the retail and restaurant industry where only the target company's pro forma operating performance of the restaurants that are part of the continuing operation is presented to the prospective investors.
- The definitions of "same stores" from the Company and industry peers are listed below:

| Company | Definition of "same stores" | |
|---|---|---|
| | 2024 | 2023 |
| The Company | • Consisting of restaurants that were open for more than 300 days during the years under comparison and had the same number of tables during the years under comparison. | |
| Haidilao | • Restaurants that opened for more than 300 days in both 2023 and 2024. | • Restaurants that opened for more than 300 days in both 2022 and 2023. |
| Xiabuxiabu | • Restaurants that opened before 2024 and that opened for the same number of days in both 2024 and 2024. | • Restaurants that opened before 2023 and that opened for the same number of days in both 2022 and 2023. |
| Jiumaojiu | • Restaurants that opened for at least 300 days in both 2023 and 2024. | • Restaurants that opened for at least 300 days in both 2022 and 2023. |
| Helens | • Restaurants that opened for at least 200 days in both 2023 and 2024. | • Restaurants that opened for at least 200 days in both 2022 and 2023. |

*Source: China Insights Consultancy*



# Restaurant Expansion Plan of the Company

**Restaurant Expansion Plan of the Company**

- In urban centers of tier one or new tier one cities, such as Beijing or Shenzhen, population within a three-kilometer radius generally amounts to approximately 250,000 to 300,000. The population of 250,000 to 300,000 urban residents can usually support one restaurant, subject to other relevant factors, such as the spending power of the residents in the area and the restaurant location.
- The Company's peer companies typically follow less rigorous standards to avoid cannibalization as compared with the Company's approach.
  - ➢ For example, both Jiumaojiu International Holdings Limited ("Jiumaojiu") and Laowang Holding Limited ("Laowang") stated in their prospectuses that they generally avoid opening restaurants under the same brand within the same commercial district to minimize the risk of cannibalization among their restaurants.
  - ➢ It is common for different commercial districts to be located within three kilometers of each other in tier one and new tier one cities.
  - ➢ Nayuki Holdings Limited ("Nayuki") also disclosed in its prospectus that it only open one teahouse under the same brand in a particular shopping mall, office building or the center of a residential neighborhood
  - ➢ It is common for different shopping malls, office buildings and centers of residential neighborhoods to be located within three kilometers of each other in tier one and new tier one cities.
  - ➢ Xiaocaiyuan International Holding Ltd. also disclosed in its prospectus that it may open new restaurants in their existing geographic markets and may also open new restaurants in markets where they have little or no operating experience.
  - ➢ Therefore, these peer companies' policies permit the opening of more stores under the same brand in a city, compared to the Company's policy.

*Source: China Insights Consultancy*

## Further explanations of China's catering industry

### Impact of COVID-19 on China's catering market

- COVID-19 has seriously affect the performance of restaurants, and the year of 2020 turned out to be a special year for the China's catering market. Key performance ratio for chain Chinese cuisine restaurants of 2020 and normal years are listed below:

| Key performance ratio | Normal years | 2020 |
|---|---|---|
| Average table turnover rate | 2.0 ~ 3.5 | 1.5-3.0 |
| Profit margin per restaurant | 10%-18% | <10% |
| Revenue per square meter (RMB/square meter/month) | RMB800 ~ RMB1,000 | RMB500 ~ RMB800 |
| Revenue per employee RMB/person/month) | RMB8,000 ~ RMB 13,000 | RMB6,000 ~ RMB10,000 |

- As Chinese government adjusted the epidemic prevention policy at the end of 2022, people's daily life is back on track, and China's catering industry has recovered in 2023.

### Fire safety approval process

- It is an industry norm that restaurants may not achieve the Fire Safety Approval when they open their business. Many restaurants obtained their Fire Safety Approvals after initial opening, and the related agencies are aware of the situation, and approximately over 50% of the restaurants did not achieve their Fire Safety Approvals when they open their business.
- It is mainly because the approval process will take a relatively long period of time, especially for restaurants with area of more than 300 square meters, and restaurants will suffer monetary loss in rental expenses if they don't open their business and wait until the completion of the process.
- To address the issue, the government has introduced a series of regulations to simplify the approval process, and the time required to complete all the pre-approval is shortened. The duration of Fire Safety Approval process normally will take around five weeks to seven weeks. First of all, it will take one week to obtain a construction permit from Fire Safety related agencies, and then the construction process will begin and usually will take three to four weeks.
- After the completion of construction, the entire Fire Safety Inspection Approval process normally takes one to two weeks. However, the duration of the entire Fire Safety Inspection Approval process varies based on actual situation and practice of the relevant local authorities, and it may take three months or longer for restaurants to complete as-built acceptance check and fire safety inspection after their submission of relevant application materials. Furthermore, restaurants cannot be certain of the exact timing as to when the local fire safety authorities will conduct the as-built acceptance check and fire safety inspection.
- Also, it is common that shopping mall owners are not familiar with the constantly evolving and varied requirements relating to the Fire Safety Inspections Approvals adopted by the different local authorities.

*Source: China Insights Consultancy*


Updated

## Operating performance of peer companies (1/2)

### Key operating performance of peer companies

| Table turnover rate | For the year ended December 31 | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| The Company | 2.81 | 3.30 | 3.00 |
| Jiumaojiu Group | | | |
| Jiumaojiu Brand | 2.4 | 2.9 | 2.7 |
| Tai Er Brand | 3.5 | 4.1 | 3.5 |
| Xiabuxiabu Group | | | |
| Xiabuxiabu Brand (seat turnover rate) | 2.0 | 2.6 | 2.5 |
| Coucou Brand | 1.9 | 2.0 | 1.6 |
| Tang Palace | N/A* | N/A* | N/A* |

| Same store sales growth | For the year ended December 31 | | |
|---|---|---|---|
| | 2021 vs 2022 | 2022 vs 2023 | 2023 vs 2024 |
| The Company | -17.0% | 26.2% | -10.3% |
| Jiumaojiu Group | | | |
| Jiumaojiu Brand | -11.0% | 7.4% | -13.0% |
| Tai Er Brand | -22.3% | 18.3% | -18.8% |
| Xiabuxiabu Group | | | |
| Xiabuxiabu Brand | -23.0% | 16.7% | -23.3% |
| Coucou Brand | -22.0% | -9.7% | -32.0% |
| Tang Palace | N/A* | N/A* | N/A* |

*Note: *Such data is not publicly available*

*Source: China Insights Consultancy*

Updated

# Operating performance of peer companies (2/2)

**Key operating performance of peer companies**

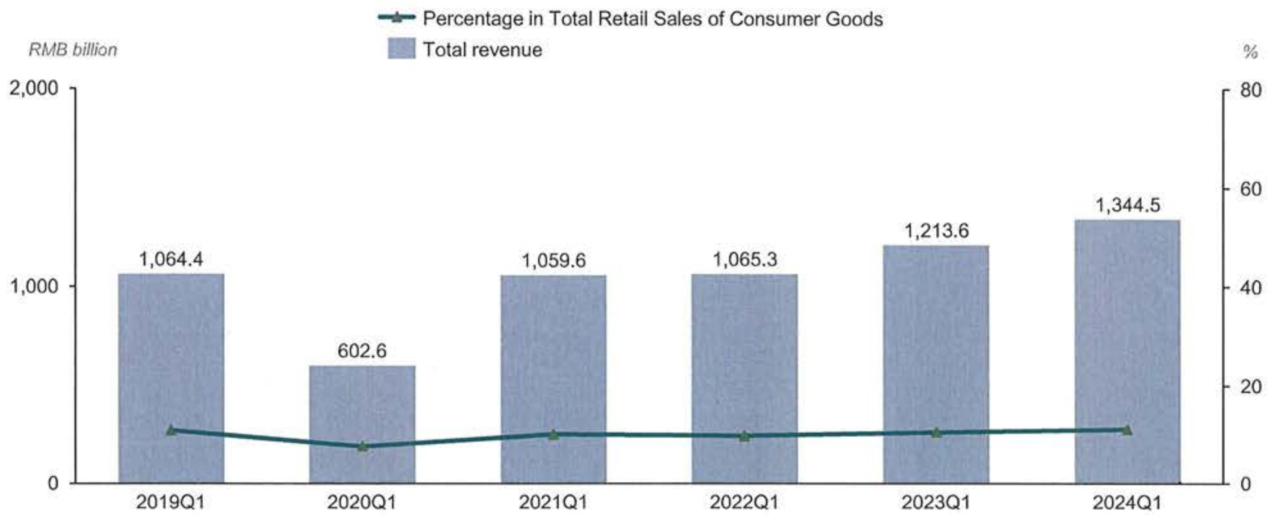
| Revenue (RMB million) and growth (%) | For the year ended December 31 | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **The Company** | 2,375.0<br>(3.6%) | 3,589.2<br>(51.1%) | 3,838.2<br>(6.9%) |
| **Jiumaojiu Group** | 4,005.7<br>(-4.2%) | 5,985.9<br>(49.4%) | 6,073.6<br>(1.5%) |
| **Jiumaojiu Brand** | 604.8<br>(-20.3%) | 628.4<br>(3.9%) | 545.5<br>(-13.2%) |
| **Tai Er Brand** | 3,098.0<br>(-5.7%) | 4,469.2<br>(44.3%) | 4,408.8<br>(-1.4%) |
| **Xiabuxiabu Group** | 4,724.8<br>(-23.1%) | 5,918.0<br>(25.3%) | 4,754.8<br>(-19.7%) |
| **Xiabuxiabu Brand** | 2,253.8<br>(-35.7%) | 3,081.4<br>(36.7%) | 2,436.5<br>(-20.9%) |
| **Coucou Brand** | 2,259.5<br>(-4.2%) | 2,617.8<br>(15.9%) | 1,875.2<br>(-28.4%) |
| **Tang Palace** | 942.0<br>(-30.8%) | 1,122.9<br>(19.2%) | 1,021.1<br>(-9.1%) |



Updated

# Recovery of China's catering market

**Market size of catering market in China in terms of total revenue, 2019Q1-2024Q1**



Updated

## Other supplemental information

- Market shares of the Company in each geographical regions:

| Catering brands | For the year ended December 31 | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Eastern China(1) | 0.41% | 0.51% | 0.67% | 0.80% |
| Guangdong Province | 1.35% | 1.37% | 1.51% | 1.61% |
| Northern China(2) | 1.19% | 1.30% | 1.55% | 1.46% |
| Other(3) | 0.24% | 0.29% | 0.41% | 0.39% |

*Notes:*
*(1) Consisting of Zhejiang, Shanghai, Anhui, Jiangsu, Jiangxi and Fujian.*
*(2) Consisting of Beijing, Hebei and Tianjin.*
*(3) Consisting of Yunnan, Inner Mongolia, Sichuan, Shandong, Shanxi, Guangxi, Henan, Hubei, Gansu, Tibet, Guizhou, Chongqing, Shaanxi, Heilongjiang, Liaoning, Jilin, Hunan and Hainan.*

- The calculations of all key performance indicators in the prospectus are in line with the industry practice and the calculations of all same store sales data in the prospectus are in line with the industry practice.
- After the Chinese government phased out the "zero-COVID" policy in December 2022, the operation results showed a strong recovery in 2023 due to a significant surge in consumer spending in the first half of 2023 following the COVID-19 pandemic, and the strong performance in the catering industry due to such significant surge in spending is an exceptional situation and does not reflect the usual consumption trend.
- The arrangements of the Company with respect to longer lease terms and termination clauses are in line with the industry norm.
- In addition, as the Company continue our expansion, the Company usually enters into lease arrangements with its landlords that require the relevant restaurants to be opened before a certain deadline in order to align with the opening plans with respect to the relevant shopping malls and/or schedules for commercial promotions, and such arrangements are in line with market practice.
- The overall average spending per guest of the Company decreased in 2023, primarily because of the change in consumption preferences of its customers, and such change is in line with the trend in the industry.



Updated

## Other supplemental information

- Due to geographical and socioeconomic factors, consumers in China have diverse tastes and dining habits. As a result, diversified cuisine styles are developed to meet consumers' demand. A single regional cuisine style primarily targets consumers within that specific region, restricting its ability to serve people in other regions and resulting in limited growth potential. In comparison, fusion cuisine which combines distinct flavors, ingredients and preparation techniques to create innovative dishes that can overcome cultural and geographic barriers, thereby catering to diverse consumer preferences and tastes in different regions and age groups. Furthermore, casual Chinese fusion restaurants which provide Chinese fusion cuisine at affordable price points innovate their menu designs and introduce creative fusion dishes to create dining environments that meet the demand of different dining scenarios. Guests looking for a quick and light lunch during weekdays, or a proper dinner for friends and family gatherings, or business meal can all find a pleasant experience.
- In the six months ended June 30, 2024, the Company's performance declined in general as compared to that in the same period in 2023, primarily due to a general change in consumer behavior to be more cost-conscious given the current economic environment. The decline in the Company's performance is in line with the trend in the industry.
- In 2024, the Company recorded decreases in same store sales in all regions. Such decreases were primarily due to a general change in consumer behavior to reduce expenses and frequencies of dining out given the current economic environment. For example, consumers in general tend to (i) order dishes that are more affordable, (ii) order fewer dishes when dining out and (iii) prefer not to dine out unless necessary. Such changes in consumer behavior had led to decreases in our table turnover rate and average spending per guest in all regions.
- The Company outperformed the majority of its industry peers in terms same store sales growth in 2024.

Thank you!

CIC

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