The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Frost & Sullivan to analyze and prepare a report regarding China's dining market, China's home dining market, as well as China's home meal products market. Frost & Sullivan is an independent global consulting firm, founded in 1961 in New York, offering industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a fee of RMB1,080,000 to Frost & Sullivan pursuant to a service agreement reached by arm's-length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in the "Summary," "Risk Factors," "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

In preparing for the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as National Bureau of Statistics of China and other industrial associations. The market projections in the Frost & Sullivan 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) China's economic and industrial development are likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of the dining, home dining and home meal products markets in China in the forecast period, such as rapid growth of consumption upgrade in China, favorable policies, stable demand from downstream industries, etc; and (iv) there is no extreme force majeure or industry regulation which may dramatically or fundamentally affect the market.

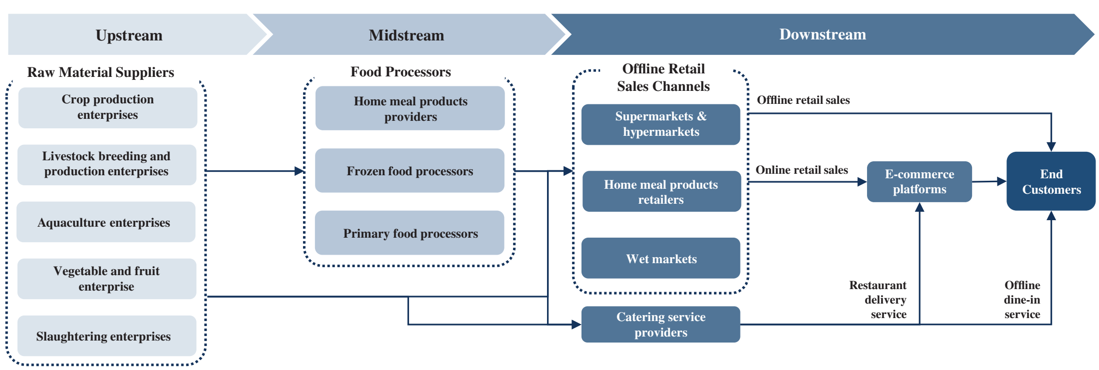
Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

CHINA'S DINING MARKET

China's dining market has been rapidly evolving over the past few years due to various factors including increased urbanization, changing lifestyles, and rising disposable incomes. With the steady growth of per capita annual disposable income and per capita expenditure on food, the market size of the dining market in terms of retail sales value grew steadily from RMB6,903.7 billion in 2018 to RMB9,315.1 billion in 2022, representing a CAGR of 7.8%. The market size of China's dining market in terms of retail sales value is expected to reach RMB13,638.0 billion in 2027, representing a CAGR of 7.9% from 2022. At present, people principally dine in four ways, namely (i) buying fresh groceries and cooking at home, (ii) dining at restaurants, (iii) using food delivery services, and (iv) opting for home meal products.

Value Chain of China's Food and Dining Market

The value chain of China's food and dining market in China consists of upstream raw material providers from agriculture, forestry, livestock and fishing industries, midstream food processors, and downstream retail sales channels and end customers. The following diagram illustrates the value chain of China's food and dining market:



The upstream mainly involves raw material providers, including crop production enterprises, livestock breeding and production enterprises, aquaculture enterprises, vegetable and fruit enterprises and slaughtering enterprises. The stability of product supply is also crucially dependent on the freshness and safety of raw materials, which serve as the foundation for high-quality food ingredients and products. Leading downstream retailers have developed a complete agricultural product quality traceability mechanism and cold chain logistics to ensure the quality of raw materials.

The midstream mainly involves food processors, including home meal products providers enterprises, frozen food processors, and primary food processors.

The downstream mainly involves E-commerce platforms, catering service providers and offline retail sales channels, including supermarkets & hypermarkets, home meal products retailers and wet markets. End customers can (i) buy fresh groceries and cook at home, (ii) dine at restaurants, (iii) use food delivery services, or (iv) opt for home meal products.

CHINA'S HOME DINING MARKET

In recent years, there has been a growing trend towards dining at home in China. Home dining has become the most popular of all dining scenarios in China, with its market size in terms of retail sales value growing from 47.1% of the dining market in 2018 to 60.3% in 2022.

Overview of China's Home Dining Market

In China, the home dining market is mainly divided into three categories: (i) home meal products, (ii) fresh groceries for cooking at home, and (iii) restaurant delivery services to home.

Category	Definition
Home Meal Products	• Home meal products refer to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients. They address the specific needs and pain points faced by consumers, especially younger generations, working individuals, and dual-income families, who are pursuing balanced lifestyles in today's fast-paced world. • Sales channels for home meal products include both offline retail sales channels and online e-commerce platforms.
Fresh Groceries for Cooking at Home	• A traditional dining practice in China is to purchase fresh groceries from wet markets, grocery stores, supermarkets or fresh grocery e-commerce platforms, and cook them at home. This is common in Chinese households where those responsible for grocery shopping and meal preparation usually have ample time and high standards for ingredient freshness. • Sales channels for this category include both offline retail sales channels and online e-commerce platforms.
Restaurant Delivery Service to Home	• Home delivery services, where the restaurants deliver the cooked meals by themselves or through third-party food delivery platforms, are preferred by a growing number of young consumers.

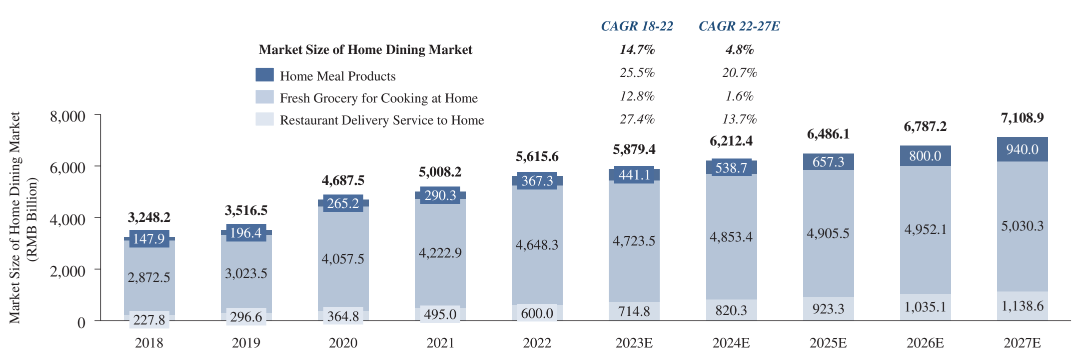
Source: Frost & Sullivan

Market Size of China's Home Dining Market

With rising living standards in China, consumers' awareness of healthy eating has deepened, and they are paying more attention to what goes into their food. Dining at home allows for better control over the quality and freshness of ingredients, which in turn ensures food safety and promotes health. Moreover, dining at home allows for the flexibility to customize meals to personal tastes and preferences. These advantages have fueled the rapid growth of the entire home dining market. The market size of China's home dining market in terms of retail sales value experienced a strong growth from RMB3,248.2 billion in 2018 to RMB5,615.6 billion in 2022, representing a CAGR of 14.7%.

During the COVID-19 pandemic, people began to eat at home more frequently due to restaurant closures, risk of infection and epidemic control measures, resulting in a surge in the home dining market from 2020 to 2022. This has long lasting effects on people's lifestyle and habits that go beyond the pandemic. As people realize the health benefits of preparing food at home, they became more accustomed to dining at home, even those who rarely dined at home before the pandemic. As a result, when home meal products emerged as a dining option that reduces the time and skill requirements of cooking from scratch, they are increasingly favored by consumers who are pursuing healthy eating in a fast-paced life. In light of this trend, the market size of home meal products market in terms of retail sales value is expected to be the fastest growing segment in the home dining market with a CAGR of 20.7% from 2022 to 2027, although its market size is expected to remain smaller than that of restaurant delivery services to home and buying groceries to cook.

Market Size of Home Dining Market by Category (China), 2018-2027E



	Unit	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Market Size of Home Meal Products	*RMB Billion*	147.9	196.4	265.2	290.3	367.3	441.1	538.7	657.3	800.0	940.0
Market Size of Fresh Grocery for Cooking at Home	*RMB Billion*	2,872.5	3,023.5	4,057.5	4,222.9	4,648.3	4,723.5	4,853.4	4,905.5	4,952.1	5,030.3
Market Size of Restaurant Delivery Service to Home	*RMB Billion*	227.8	296.6	364.8	495.0	600.0	714.8	820.3	923.3	1,035.1	1,138.6
Proportion of Home Meal Products	*%*	*4.6%*	*5.6%*	*5.7%*	*5.8%*	*6.5%*	*7.5%*	*8.7%*	*10.1%*	*11.8%*	*13.2%*
Proportion of Fresh Grocery for Cooking at Home	*%*	*88.4%*	*86.0%*	*86.6%*	*84.3%*	*82.8%*	*80.3%*	*78.1%*	*75.6%*	*73.0%*	*70.8%*
Proportion of Restaurant Delivery Service to Home	*%*	*7.0%*	*8.4%*	*7.7%*	*9.9%*	*10.7%*	*12.2%*	*13.2%*	*14.3%*	*15.2%*	*16.0%*

Source: National Bureau of Statistics, Frost & Sullivan

Pain Point Analysis of China's Home Dining Market

In the home-dining scenario, consumers place emphasis on time spent preparing and cooking, food quality and safety, and cost-effectiveness. The table below shows the advantages of home meal products when compared with the other two home dining categories in terms of how they address consumers' pain points:

	Pain Points	Comparative Advantages of Home Meal Products
Fresh Groceries for Cooking at Home	• Buying fresh groceries and cooking at home requires purchasing groceries, preparing ingredients, seasoning, and cooking, among other things.	• Home meal products help improve cooking efficiency by providing pre-processed ingredients and the corresponding seasoning, reducing the difficulties typically associated with cooking.
Restaurant Delivery Service to Home	• While no actual cooking is necessary, the wait time for delivery may affect the freshness, temperature and flavor restoration of the delivered food. • The quality of ingredients, seasoning, and cooking oil utilized cannot be monitored or controlled.	• High quality home meal products can effectively address consumers' concerns regarding freshness, hygiene and flavor restoration. • The amount and quality of seasoning and cooking oil used can be monitored and controlled.

Source: Frost & Sullivan

CHINA'S HOME MEAL PRODUCTS MARKET

Overview of China's Home Meal Products Market

In China, home meal products refer to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients supplied to consumers to improve cooking efficiency in daily home cooking scenarios.

Category	Definition	Representative products
Ready-to-eat foods	• Pre-prepared and packaged foods ready for consumption without further preparation or cooking.	• Canned goods, packaged braised food, packaged salads, etc.
Ready-to-heat foods	• Pre-prepared foods that are already cooked and need only heating by microwave, oven, boiling, steaming, etc. before consuming.	• Convenience food (instant noodles and rice, self-heating food), frozen food (frozen noodles and rice, frozen meat, frozen seafood), cooking packs/seasoning packs, etc.
Ready-to-cook foods	• Semi-finished ingredients that are pre-cut, seasoned and mixed, or even deep-processed (i.e. fried, grilled), ready for cooking.	• Semi-finished convenience dishes, fried and grilled dishes (seasoned steak, fried chicken, sausage, bacon), processed soy products, etc.
Prepared ingredients	• Raw materials for cooking that have been preliminarily processed including cleaning, cutting, etc.	• Chopped vegetables, pieces of fresh raw meat and seafood, etc.

A subset of home meal products include at-home hotpot and barbecue products, which refer to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients used for hotpot and barbecue consumption at home, such as beef and lamb products, meatballs, seafood balls/pastes, hotpot soup base, condiments and barbecue seasonings.

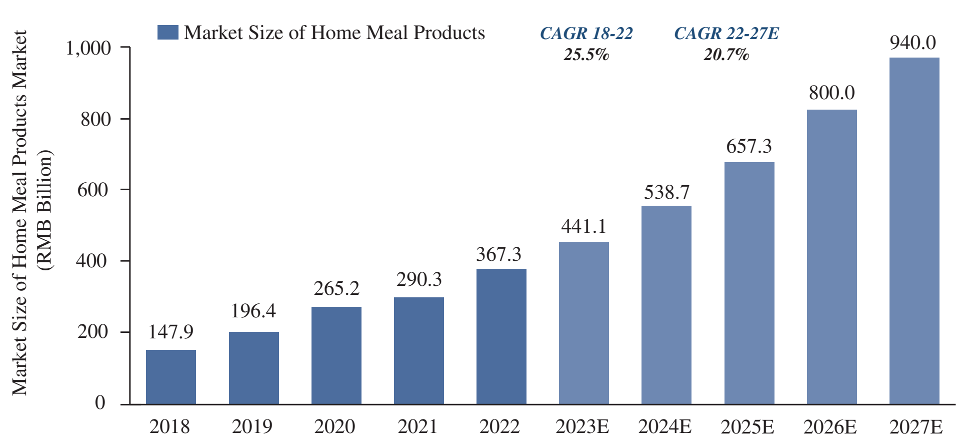
Market Size of China's Home Meal Products Market

As the pace of life becomes faster, people's dining needs are demanding convenience and efficiency without sacrificing taste and quality. These trends have led to the emergence of home meal products as an increasingly popular dining option in China. These products include ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients. Providers of home meal products are offering consumers a convenient and cost-effective way to enjoy high-quality food at home with ease.

The market size of China's home meal products market in terms of retail sales value experienced significant growth from RMB147.9 billion in 2018 to RMB367.3 billion in 2022, representing a CAGR of 25.5%. It is expected to reach RMB940.0 billion in 2027, representing a CAGR of 20.7% from 2022 as consumers increasingly seek healthy eating options that are convenient and require minimal cooking skills. As people continue to prioritize health and wellness, the trend towards home dining and home meal products is expected to continue. In addition, increasing consumer pursuit of higher cooking efficiency, coupled with a desire for variety and innovation in meal preparation at home, and rapid development of food industrialization and cold chain logistics are expected to strongly support the future growth of the home meal products market. As urbanization and the accelerated pace of life make it difficult for consumers to find time to shop and cook, home meal products are a convenient and efficient alternative. In addition, technological advances in food science have enabled the creation of prepared foods that closely resemble fresh alternatives, providing more satisfying dining experiences. The home meal products market is poised for future growth driven by an expanded product portfolio and innovative categories that have broadened its reach from provincial capitals and municipalities to lower-level cities. Furthermore, the rise of new retail has provided opportunities for home meal products providers to reach more consumers, thereby increasing convenience and accessibility, as well as creating more opportunities for growth in the industry. The future growth of the home meal products market in China will also be supported by the continuous advancement in technology that leads to improved quality and taste of home meal products. Food industrialization in China has greatly improved the production efficiency, quality and safety of home meal products, and promoted the development of related industries such as packaging, logistics and distribution.

As the home meal products market further develops and consumers become increasingly cautious about the quality, safety and hygiene of foods, the home meal products market face challenges relating to ensuring food safety and maintaining flavor and quality while extending shelve life. Moreover, complying with strict regulations and changing policies as well as continuously catering to diverse and evolving consumer preferences pose hurdles for home meal products providers and present challenges for the continued growth of the home meal products market.

Market Size of Home Meal Products Market (China), 2018-2027E



Source: China Hospitality Association, Frost & Sullivan

Market Drivers of Home Meal Products Market

Home dining being the top dining preference of Chinese people. Chinese people have a tradition of eating at home together. Home meals have also been praised as social experiences that strengthen families and foster good habits. In recent years, there has been a growing trend towards dining at home in China. Home dining has become the most popular of all dining scenarios in China, with its market size in terms of retail sales value accounting for 60.3% of the dining market in 2022, higher than any other dining scenarios including dining at restaurants, office buildings, schools, hotels, etc. The home meal products market in China has been significantly boosted by the growing preference of Chinese consumers for home dining who also demand convenience and efficiency without sacrificing taste and quality.

Consumers' pursuit of higher cooking efficiency. Consumers are increasingly pursuing higher cooking efficiency due to urbanization and accelerated pace of life. Home meal products are becoming more popular as they provide convenience and efficiency for those with insufficient time to buy groceries and cook.

Rapid development of food industrialization. With continuous advancement in technology, the quality and taste of home meal products are also improving, leading to increased acceptance and enjoyment of this type of food. Food industrialization in China has greatly improved the production efficiency, quality, and safety of home meal products. Additionally, food industrialization has promoted the development of related industries, such as packaging, logistics, and distribution, which has further improved the supply chain of home meal products, becoming a vital driving force for the industry's development.

Development of cold chain logistics. Home meal products rely heavily on cold chain logistics for transportation. The development of cold chain logistics, as proposed in the "14th Five-Year cold chain logistics development plan" (《"十四五"冷鏈物流發展規劃》) by the State Council of the PRC in 2022 aims to establish an efficient, safe, intelligent and environmentally friendly system that helps to ensure the quality of home meal products and lower transportation costs, thereby driving the industry.

Upgrading consumption and increasing expenditure on food. In line with rising per capita disposable income in China, per capita expenditure on food, tobacco, and alcohol increased from RMB5,631 in 2018 to RMB7,481 in 2022, with a CAGR of 7.4%. Continued growth in disposable income resulted in the upgrading of people's lifestyles and consumption patterns, including increased spending on food. This trend is expected to further drive the rapid development of the dining market in China.

Market Trends of the Home Meal Products Market

Increasing demand for one-stop home meal products providers. One-stop home meal products providers offer a comprehensive solution for consumers' meal needs. These providers have emerged as popular shopping destinations for Chinese consumers who look for a convenient and time-saving option to purchase all their food items in one place. Furthermore, one-stop home meal products providers offer a wide variety of meal options that cater to different tastes and dietary requirements, allowing consumers to mix and match food ingredients to create their preferred meals from a single source. As a result, we can expect to see continued growth in the demand for one-stop home meal products providers in the future.

Expanding product variety and enhanced flavor retention. Consumers are increasingly looking for variety in their food choices, and demand for diverse and innovative home meal products is on the rise. To meet this demand, home meal products providers are expanding their product lines to include a broader range of options to capture a wider range of food choices by consumers and expand their market share. Technological advances in food science enable the creation of prepared foods that closely resemble their fresh equivalents, delivering more satisfying dining experiences.

Adapting to varied dining scenarios for home meal products. Home meal products offer easy-to-prepare options that maintain flavor, and thus suitable for a variety of dining experiences. As a result, consumers of home meal products are starting to explore more dining scenarios beyond at home, such as urban camping and office dining.

Accelerating integration of online and offline sales channels. Major home meal products providers are not only reinforcing their offline sales channels, but also investing in online sales channels to offer a seamless shopping experience. Online sales channels are growing rapidly due to the convenience and accessibility of online shopping. Home meal products providers will continue utilizing online sales channels to promote their brands and products, and explore offline-to-online model to integrate their offline and online resources.

Increasing upstream integration. There has been a growing trend of increasing upstream integration along the supply chain in the home meal products market. Leading providers are investing in or working closely with upstream suppliers to integrate their operations and achieve greater control over the quality and steady supply of their ingredients. Such arrangements reduce dependence on third-party suppliers, and achieve cost savings by streamlining their operations and reducing inefficiencies, which allow them to adopt a more competitive pricing strategy.

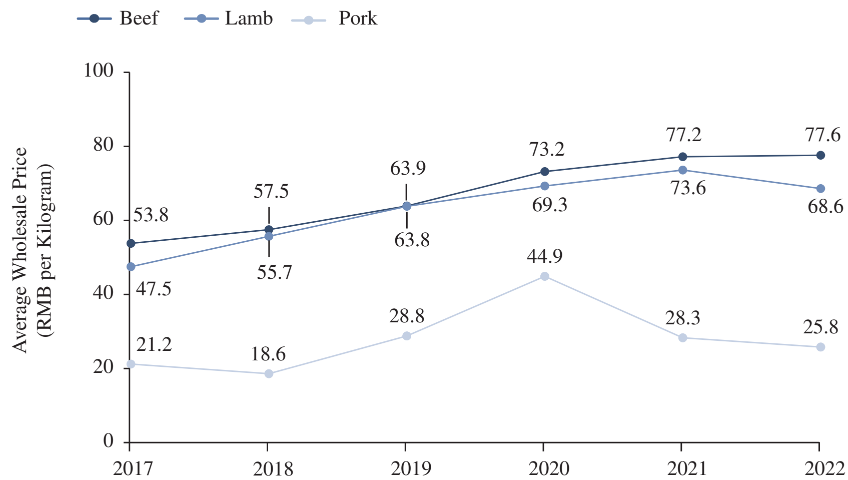
Raw Material Price of Home Meal Products

Prices of raw materials for home meal products generally demonstrated an upward trend, which include beef, lamb and pork.

The average wholesale price of beef gradually increased from RMB53.8 per kilogram in 2017 to RMB77.6 per kilogram in 2022. The average wholesale price of lamb gradually increased from RMB47.5 per kilogram in 2017 to RMB68.6 per kilogram in 2022.

In 2019, the monthly average pork price rose rapidly in the face of a sharp decline in pig production due to African Swine Fever, as well as relatively stable downstream demand. Entering 2020, the average pork price fluctuated at a higher level, with an average price of RMB44.9 per kilogram, much higher than the past three pig cycles since 2006. With the recovery in pig production, pork prices fell to RMB25.8 per kilogram in 2022.

Average Wholesale Price of Beef, Lamb and Pork (China), 2017-2022



Source: Ministry of Agriculture and Rural Affairs of the PRC

COMPETITIVE LANDSCAPE OF CHINA'S HOME MEAL PRODUCTS MARKET

Ranking and Market Share of Home Meal Products Retailers

Among all retailers in China, the top five players accounted for 11.1% market share in terms of retail sales value of home meal products in 2022. In 2022, the Company is the largest home meal products retailer in terms of retail sales value of home meal products among all retailers in China, occupying 3.0% market share. In addition, the Company was the largest at-home hotpot and barbecue provider in terms of retail sales value of at-home hotpot and barbecue products among all providers in China in 2022, accounting for 12.7% market share, according to Frost & Sullivan.

Top Five Retailers in terms of Retail Sales Value[(1)] of Home Meal Products (China), 2022

Ranking	Retailers	Retail sales value of home meal products (RMB billion)	Market share (%)
1	**The Company**	**11.1**	**3.0%**
2	Company A[(2)]	10.1	2.7%
3	Company B[(3)]	9.7	2.6%
4	Company C[(4)]	6.1	1.7%
5	Company D[(5)]	4.2	1.1%
	Top five	**41.2**	**11.1%**
	Total	**367.3**	**100.0%**

Notes:

(1) Retail sales value refers to the amount of retail store sales received from end consumers after discounts or rebates, which is used to determine all the market size, ranking and market share of different markets in the Frost & Sullivan Report to reflect market reality.

(2) Company A is an H-shared listed company founded in 2000 and headquartered in Shanghai, with 600 offline retail stores in China as of December 31,2022. It principally engaged in operating offline retail business including hypermarkets, supermarkets and mini stores, and also facilitates omni-channel business model including online one-hour delivery, half-day delivery and business-to-business. Company A offers a wide variety of food, beverage and household products, with limited home meal products accounting for approximately 8% of its total SKUs. The total revenue of Company A in 2022 was approximately RMB88.1 billion.

(3) Company B is a Chinese subsidiary owned by a NASDAQ-listed company, founded in 1962 and headquartered in Arkansas, USA, with 326 offline retail stores in China as of December 31, 2022. It is an omnichannel retailer that operates a chain of hypermarkets, discount department stores and grocery stores. Company B offers a wide variety of food, beverage and household products, with limited home meal products accounting for approximately 11% of its total SKUs. The total revenue of Company B in 2022 was approximately RMB109.3 billion.

(4) Company C is a Chinese subsidiary owned by a NYSE company, founded in 2015 and headquartered in Shanghai, with a registered capital of RMB722.5 million. It principally provides fresh groceries, processed food and offers a wide range of general merchandise product categories via both online and offline channels, with limited home meal products accounting for approximately 7% of its total SKUs. The total revenue of Company C in 2022 was approximately RMB61.0 billion, with 308 offline retail stores in China as of December 31, 2022.

(5) Company D is an A-share listed company founded in 2001 in Fujian Province, with a registered capital of RMB9.1 billion. It principally engages in the operation of supermarkets, and also facilitates omni-channel business integrating in-store and home delivery services, providing fresh groceries, packaged foods, and processed foods. Company D offers a wide variety of food, beverage and household products, with limited home meal products accounting for approximately 20% of total SKUs. The total revenue of Company D in 2022 was approximately RMB98.0 billion, with the 1,035 offline retail stores in China as of December 31, 2022.

Source: Frost & Sullivan

In 2022, the Company was the largest home meal products retailer under proprietary brands in terms of retail sales value of proprietary brand products in China.

Top Five Retailers in Terms of Retail Sales Value of Proprietary Brand Home Meal Products (China), 2022

Ranking	Retailers	Retail sales value of proprietary brand home meal products (RMB billion)
1	**The Company**	**10.3**
2	Company C	3.7
3	Company B	3.2
4	Company A	2.5
5	Company D	1.8

Source: Frost & Sullivan

In 2022, the Company had the largest network of offline retail stores offering home meal products in China as of December 31, 2022.

Top Five Home Meal Products Providers in Terms of Number of Offline Retail Stores (China), 2022

Ranking	Home meal products providers	Number of offline retail stores (as of December 31, 2022)
1	**The Company**	**9,221**
2	Company E[(1)]	8,500
3	Company F[(2)]	5,350
4	Company G[(3)]	1,970
5	Company D	1,035

Notes:

(1) Company E is an A-share listed company founded in 1998 and headquartered in Henan Province, with a registered capital of RMB3.5 billion. It principally engages in hog farming, slaughtering, pork processing and sales. Company E has 13 facilities that produce more than 2.7 million tons of meat per year. The total revenue of Company E in 2022 was approximately RMB63.0 billion.

(2) Company F is an A-share listed company founded in 1984 and headquartered in Shanghai, with a registered capital of RMB412.0 million. It is principally engaged in the manufacturing and distribution of braised food. The total revenue of Company F in 2022 was approximately RMB3.6 billion.

(3) Company G is an A-share listed company founded in 2008 and headquartered in Jiangsu Province, with a registered capital of RMB100.0 million. It is principally engaged in the development, production and sales of home meal products under two brands, with a focus on ready-to-cook meals. The total revenue of Company G in 2022 was approximately RMB0.8 billion.

Source: Frost & Sullivan

Key Players & Market Positions

The table below illustrates how the Company distinguishes itself from other players offering home meal products by specializing in offering home meal products and leveraging its robust network and supply chain:

	Brand Position	Home Meal Product Offering[(1)]	Pricing	Location and Coverage	Convenience	Supply Chain
The Company	• A leading one-stop home meal products brand specializing in at-home hotpot and barbecue products, focusing on improving the efficiency and convenience of meal preparation and catering to people's dining needs at home in a one-stop shop manner, allowing consumers to mix and match according to their tastes. • Facilitated by robust supply chain capabilities and an extensive store network, enhancing convenience and accessibility to consumers.	• Specializing in providing home meal products accounting for almost all of its total SKUs, with a total of nearly 700 SKUs of home meal products as of April 30, 2023, offering a comprehensive range of home meal products including ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients specializing in at-home hotpot and barbecue. • Consumers can easily find a wide variety of categories available for purchase for their at-home hotpot and barbecue scenarios and can mix and match ingredients from different categories and cuisines to satisfy individual tastes and preferences.	Moderate	• Nationwide community-based store network with both online and offline channels. • Conveniently located in close proximity to residential neighborhoods, providing easy access to daily needs. • Total number of stores of 9,844 as of April 30, 2023.	• The second most convenient option, which provides a balance of shorter preparation and cooking time, and high-quality meals.	• Adopts a one-product-one-factory model, ensuring a stable supply of high-quality and safety of products from production facilities to central warehouses and further to franchise stores. • Digitalization of supply chain allows it to monitor the supply and demand, inventory and quality and safety of products.
Supermarkets and Hypermarkets	• Physical retail stores offer a wide variety of fresh groceries, packaged foods and beverages, and household products, with no special focus on home meal products. • Mainly offer a wide range of food, beverage, and household products of various brands.	• Supermarkets and hypermarkets mainly offer a wide range of branded and unbranded fresh groceries, packaged food and beverages, and household products, with a total SKU of 1,000 to 20,000, of which usually less than 10%, or approximately 100 to 500 SKUs are home meal products. Their products primarily focused on convenience foods, frozen foods (i.e. frozen dumplings, frozen meat slices, meatballs and seafood balls), packaged cooked foods, and canned foods, to meet diverse groceries and household needs, with benefits of convenience, variety, and a mix of fresh and packaged options. • Due to seasonal factors and changes in suppliers, supermarkets and hypermarkets' home meal product offerings tend to subject to relatively more changes in terms of brands, categories and quality.	Moderate	• Most are regional brands, only some have online channels. • Smaller network of stores, usually with less than 1,000 stores per brand. • Not necessarily in close proximity to residential neighborhoods, especially for larger stores.	• Buying fresh groceries to cook is the least convenient option as it requires washing, preparing ingredients and cooking from scratch.	• Leading supermarkets and hypermarkets typically have advanced and robust supply chain capabilities. • Small and medium-sized supermarkets generally have smaller supplier network and lower purchasing volumes, which limits product variety and availability. They also tend to have limited or no digital supply chain capabilities, which could constrain inventory efficiency, quality and food safety management.
Restaurant Delivery Services	• Restaurants generally focus on dine-in services, and also provide home delivery of meals for consumers without the needs for cooking or preparing. • Limited menu offerings, usually dozens of meal choices available. Mostly offer ready-to-eat products for immediate consumption.	• Restaurants generally focus on dine-in services, but also provide home delivery of meals through third-party delivery service platforms or themselves. The selection of food items available for delivery is often more limited compared to the dine-in menu because certain foods may not be suitable for delivery. • Only a small portion of restaurants offer hotpot and barbecue delivery, which are usually more expensive than dining-in.	Highest	• Limited delivery radius, with default delivery radius of five to 10 kilometers.	• Pre-made meals provide maximum convenience for individuals who prefer ready-to-eat meals without the need for cooking or dining out.	• Leading restaurant brands generally have robust supply chain management system to procure high quality ingredients to ensure food safety. • Some small and non-chained restaurants may have lower assurance in food safety and quality.
Wet Market	• Traditional physical wet markets mainly sell unbranded, unprocessed fresh groceries for the lowest price, with no special focus on home meal products. • Typically offer unbranded seasonal fresh groceries such as meat, fish, vegetables, and other agricultural products that are usually sourced directly from local farmers and suppliers, so the quality and volume of the product vary greatly depending on seasonality, weather conditions, and upstream suppliers.	• Wet markets primarily sell unbranded, unprocessed, fresh groceries for traditional home cooking with hundreds or thousands of products, of which usually less than 5%, or less than 100 SKUs, are home meal products, which are primarily frozen foods (i.e. frozen dumplings, frozen meatballs and fish balls) and prepared ingredients of vegetables, meat and fish, with the benefits of freshness, variety, and the joy of cooking from scratch.	Lowest	• Some are conveniently located in close proximity to residential areas, while others may not be in close proximity. • Do not offer online services, and consumers are required to shop physically.	• Buying fresh groceries to cook is the least convenient option as it requires washing, preparing ingredients and cooking from scratch.	• Traditional agricultural supply chain, with lower assurance in supply and quality.
E-commerce Platform	• E-commerce platforms include (i) fresh grocery e-commerce platforms that mainly offer fresh groceries; (ii) delivery service platforms; and (iii) traditional e-commerce platforms that offer a wide range of general merchandise product categories. All these types do not have a special focus on home meal products. • Fresh grocery e-commerce platforms and delivery service platforms mainly offer fresh groceries and other food products; Traditional e-commerce platforms generally offer both branded and non-branded products.	• SKUs on e-commerce platforms in China can vary greatly depending on the platform and the products they specialize in. • (i) Fresh grocery e-commerce platforms mainly offer a wide range of branded fresh groceries, food and beverages, and household products, with a total SKU of 2,000 to 8,000, of which approximately 100 to 500 SKUs are home meal products, including ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients, with no specialization in at-home hotpot and barbecue products; (ii) delivery service platforms offer a wide range of food and beverages, household products, fresh groceries, etc., depending largely on the merchants and their product selection. Multiple orders with different merchants may need to be placed to obtain all necessary home meal products.	Moderate	• Fresh grocery e-commerce platforms typically have a limited delivery radius, with fewer stores concentrated in tier 1 and 2 cities. • Delivery service platforms have limited delivery radius, with default delivery radius of five to 10 kilometers. • Only few leading fresh grocery e-commerce platforms have physical retail store network.	• Buying fresh groceries to cook is the least convenient option as it requires washing, preparing ingredients and cooking from scratch.	• Only leading fresh grocery e-commerce platforms have full suite supply chain capabilities. • Most platforms have limited supply chain capabilities and do not track the sources of their supply or monitor product quality.

Note:

(1) The characterization of SKUs as home meal products by Frost & Sullivan is primarily based on whether the product belongs to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients, which is determined by the preparation methods required before consumption. Accordingly, unprocessed fresh groceries sold by wet markets and supermarkets; and household products, packaged casual foods and beverages sold by supermarkets are not categorized as home meal products.

Source: Frost & Sullivan

Entry Barriers of China's Home Meal Products Market

Branding. As consumer preferences shift towards established brands with strong reputations, brand image is a key factor influencing consumers' decision-making process and differentiating from competitors. Additionally, branding plays a critical role in attracting potential franchisees under the franchise business model. However, for new market entrants, building brand recognition and awareness can present significant obstacles, effectively acting as barriers to market entry.

Product Portfolio. In the home meal products market, a diversified product portfolio serves as an entry barrier, showcasing a company's strong capability to select and offer products based on deep insights into consumer needs. Such a diverse portfolio enables businesses to cater to the varied requirements of different customers through product differentiation and well-honed R&D capabilities. However, this comprehensive strength is cultivated over an extended period, making it difficult for new entrants to establish a similarly diversified product portfolio in the short term.

Sales Channel. A comprehensive sales channel is crucial for the success in home meal products market, the establishment of which requires strategic combination of factors such as leveraging established brands, building trust over time, and implementing effective management systems to ensure stability. For instance, an extensive network of physical stores is critical for an omnichannel distribution strategy. Developing such an extensive sales channel involves considerable investment in promotion, efficient management systems, and long-term commitment to fostering relationships with customers. These factors pose specific barriers for new entrants, who must establish themselves in terms of breadth and depth of sales channels, as well as the efficiency of these channels.

Supply Chain Management. Strong supply chain management capabilities can help home meal products providers better control product quality and safety, ensure timely fulfillment of orders, and manage costs. An integrated supply chain covering raw material procurement, production and processing, and distribution can significantly reduce costs and increase operational efficiency, while improving the quality and stability of product supply. However, building such a comprehensive system requires substantial time, expertise and investment. New entrants face the challenge of establishing a robust supply chain management system that ensures consistent raw material costs and quality control. Failure to adequately address this challenge may jeopardize their product offerings and customer satisfaction, ultimately reinforcing the entry barrier and hindering their ability to compete effectively in the industry.

Digitalization. Digitalization plays an instrumental role in streamlining operations, optimizing resource allocation, and promoting data-driven decision-making. Companies with digitalized core operations can better carry out quality control, increase operational efficiency and provide high-value products and improved customer service. By leveraging digitalization in operational management, companies can create competitive advantages and make it difficult for new entrants to compete.

Food Safety. In the home meal products market, food safety has become a paramount concern for consumers. Ensuring food safety requires significant investment, expertise and experience, as well as the establishment of a solid track record over time. This heightened focus on food safety poses substantial challenges for new entrants, as they must navigate and meet these rigorous requirements. As a result, food safety serves as a considerable barrier to entry, making it difficult for newcomers to successfully compete in the market.

Investment. The significant investment required to establish a strong brand, develop an efficient supply chain, create effective sales channels, ensure food safety, and retain top talent presents a considerable barrier to entry in the home meal products market. Building a reputable brand involves substantial marketing efforts and resources, while implementing a robust supply chain demands expertise and investment in infrastructure and technology. Additionally, setting up sales channels requires time, financial resources, and strong relationships with market participants. Ensuring food safety involves compliance with stringent regulations, investment in quality control systems, and continuous monitoring. Lastly, attracting and retaining top talent necessitates competitive compensation packages and a supportive work environment. Together, these factors contribute to the high barriers to entry, making it challenging for new entrants to successfully compete in the market.