



MEDIA RELEASE

11 September 2019

CCCS Consults on the Proposed Acquisition by Bread Talk Group Limited of Food Junction Management Pte Ltd

The Competition and Consumer Commission of Singapore (“**CCCS**”) is inviting public feedback on the proposed acquisition by Bread Talk Group Limited through its subsidiary Topwin Investment Holding Pte Ltd (“**Topwin**”) of 100 per cent of the issued share capital in Food Junction Management Pte Ltd (“**FJM**”) (the “**Proposed Transaction**”) from 11 September 2019 to 24 September 2019.

2. CCCS received a notification from Topwin on 4 September 2019 for a decision on whether the Proposed Transaction would infringe section 54 of the Competition Act (Cap. 50B), which prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

The Parties

3. Topwin is a wholly-owned subsidiary of BreadTalk Group Limited (“**BT**”) and its principal business activity is that of investment holding and provision of management services. Topwin’s subsidiaries are in the business of rental of stalls in the food court premises that they manage, and sale of food and beverage in food courts, in Cambodia, China, Hong Kong, Malaysia, Singapore, Taiwan and Thailand. As a group, BT’s primary business is in food and beverage retail, and operates and franchises close to 1,000 outlets in various formats in and outside of Singapore, including bakeries, restaurants, food courts and cafes. BT’s business of operating food courts and food court stalls in Singapore is solely operated by Food Republic Pte Ltd (“**Food Republic**”), except certain mini restaurants (located within the food court premises operated by Food Republic) which are operated by other subsidiaries of BT.

4. FJM and its subsidiaries, namely Food Junction Singapore Pte Ltd (“**FJS**”) and T&W Food Junction Sdn Bhd (“**TWFJ**”) are principally in the business of operating food court premises and food court stalls in Singapore and Malaysia.

The Proposed Transaction

5. Topwin submits that it primarily overlaps with FJM in two markets: (i) the sale of drinks, fruits, snacks, desserts and hot meals to individual consumers in food court premises; and (ii) the rental of stalls to food vendors located within food court premises. According to Topwin, the relevant geographic markets are a catchment area of 500 metre radius for the sale of hot meals to individual consumers in food courts, coffee shops, and hawker centres; and a catchment area of 500 metre to one kilometre radius for the rental of stalls to food vendors located within food court and coffee shop premises.

6. Topwin submits that the Proposed Transaction will not result in a substantial lessening of competition in these markets in Singapore because:

- a. both markets are highly competitive and the merged entity will continue to be constrained by a large number of competitors;
- b. the countervailing buyer power of customers in both markets are high as there is minimal cost associated for individual consumers of hot meals switching across multiple alternative suppliers of hot meals within walking distance, and for food vendor tenants to easily switch to other coffee shop and food court premises at other locations if rental terms offered are not competitive when contracts are negotiated; and
- c. the barriers to entry and expansion are low as it is not unduly restrictive or onerous for food vendors and food court operators to obtain the necessary operating licenses from the Government and it is not overly costly for food vendors to set up new food stalls in food courts, coffee shops and hawker centres.

7. For the relevant market for the rental of stalls to food vendors located within food court and coffee shop premises within catchment areas of 500 metre to one kilometre radius, Topwin submits that the merged entity also faces strong countervailing constraints by landlords, who may choose not to renew the master lessor if the rental rates imposed on food vendor tenants are too high, which translates to fewer food vendors and consequently lower foot traffic to the landlords' premises.

8. Topwin submits that the Proposed Transaction would allow the merged entity to realise cost efficiencies by streamlining FJM's head office operations with BT's centralised shared services team for support functions such as finance, human resources, information technology, and business development. The food stalls which are directly operated by FJM and Food Republic can achieve significant cost reductions through joint procurement with BT's central procurement process, which

enables greater bulk purchase discounts and economies of scale to be reaped. The enlarged network of outlets is expected to result in the merged entity being able to optimise its food offerings and present a better value proposition in attracting more chain operators of food stall tenants.

Public Consultation

9. CCCS is inviting public feedback on the Proposed Transaction from **11 September 2019 to 24 September 2019, 12.00pm** on the Parties' submission as set out in paragraphs 5 to 8. In particular, CCCS would like to seek views on the following:

- Whether Food Junction and Food Republic are each other's closest competitor.
- Whether switching to competitors of Food Junction and/or Food Republic is easy if the prices of the merged entity were to increase by 10% post-merger.
- What the impact of the Proposed Transaction on prices and service quality for the sale of drinks, fruits, snacks, desserts and hot meals in food court premises will be.
- What the impact of the Proposed Transaction on the rental of stalls to food vendors located within food court premises will be.

10. More information on the public consultation can be accessed and downloaded from the CCCS website at www.cccs.gov.sg under the section "Public Register and Consultation". If the submission/correspondence contains confidential information, please also provide CCCS with a non-confidential version of the submission or correspondence.

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About the Competition and Consumer Commission of Singapore (CCCS)

CCCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

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