
INDUSTRY OVERVIEW

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FORECASTING BASES AND ASSUMPTIONS

Euromonitor prepared the Euromonitor Report based on the following assumptions: (i) the economies of Hong Kong, Mainland China, Singapore, Japan and Australia are expected to maintain steady recovery over the forecast period (2020–2025), having taken into consideration the effects of the COVID-19 pandemic and other external factors (ii) there will be no further external shock, such as a financial crisis or supply chain disruptions, that affects the supply and service of the consumer food service industry during the forecast period in Hong Kong, Mainland China, Singapore, Japan and Australia; (iii) and key market drivers such as the global economy’s recovery from the COVID-19 pandemic and positive consumer sentiment regarding dining out are expected to boost the development of the consumer food service market in Hong Kong, Mainland China, Singapore, Japan and Australia.

CLASSIFICATION OF THE CONSUMER FOOD SERVICE INDUSTRY

The consumer food service industry consists of catering establishments or restaurants that prepare and serve food and beverages that are ready for consumption to customers. Meals are generally served within these establishments where takeaway and food delivery services are also offered. The consumer food service industry can be split into the following sub-categories: Fine Dining Restaurants, Casual Restaurants, Quick Service Restaurants and Other Catering Establishments. Bakeries are excluded from the definitions of consumer food service industry.

- **Fine Dining Restaurants** refer to restaurants that serve high quality food with full table services such as seating, ordering of food and service of meals through wait staff for customers by the table. Reservations are also available upon request. Fine Dining Restaurants generally offer a higher-end dining setting and customers generally have longer mealtimes as compared to Casual Restaurants. Menus, often encompassing set lunches and dinners, typically offer a variety of complex food preparation styles and higher food quality, which attribute to higher menu prices than those in Casual Restaurants.

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- **Casual Restaurants** refer to catering establishments that serve moderately priced food with table service in a casual dining environment. Compared to Fine Dining Restaurants, Casual Restaurants also have more flexible food service times, longer business hours, faster turnaround times per customer, and higher traffic. Casual restaurants are separated into the following two categories:
 - **Fast Casual Restaurants** offer the convenience that quick service restaurants have, but with higher prices and food quality. Compared to Premium Casual Restaurants, Fast Casual Restaurants emphasise on lower cost meals and offer limited or no table service, which is generally more suited for individual or small-group dining, and the consumer turnover of Fast Casual Restaurants is higher as mealtimes are often shorter. Payment at Fast Casual Restaurants are often made at the counter either before or after the meal. Examples of this segment include fast and affordable noodle restaurants such as our Group, as well as Cha Chaan Tengs, café and bars.
 - **Premium Casual Restaurants** adopt more upscale settings than Fast Casual Restaurants with menus marketed at a higher price point since the emphasis is placed on higher food quality, taste, service and experience. Premium Casual Restaurants usually offer full table service with payments taken at the end of the meal by the wait staff. The dining setting is more suitable for large group gatherings and mealtimes are generally longer than fast casual restaurants. Examples include teahouses, dim sum parlours, and full service casual Chinese and Western restaurants.
- **Quick Service Restaurants** refer to establishments that provide fast and consistent food services at economical prices, typically with no table service in a simple dining environment. Payments are taken at the time of order and mealtimes are short. Menus often require minimal preparation, which attributes to low menu pricing. Many Quick Service Restaurants have implemented digital ordering systems to facilitate orders, preparation and service with speed and efficiency.
- **Other Catering Establishments** include takeaway or delivery-only shops, hawker stalls, roadside vendors, ice cream parlours, food courts, event catering, convenience stores that sell prepared food, and establishments not otherwise described in the segments above.

1. OVERVIEW OF THE FOOD SERVICE INDUSTRY IN HONG KONG

Consumer Food Service Industry Experienced Overall Positive Growth

As a major international hub, Hong Kong has a vibrant culinary scene that offers a wide variety of food and dining experiences from cultures all over the world. Between 2016 and 2019, the total revenue of the consumer food service industry in Hong Kong increased from HK\$116.6 billion to HK\$121.1 billion. The consumer food service industry experienced a healthy growth between 2016 to 2018, the industry saw a weakened performance in late 2019 as consumer spending on food service declined due to incidents of social movements in key business areas which resulted in a downturn in tourism, corporate events and domestic spending. Furthermore, the consumer food service industry was heavily impacted by the coronavirus outbreak in 2020, resulting in a significant drop in total revenue from HK\$121.1 billion in 2019 to HK\$78.5 billion in 2020. This represented a CAGR of -9.4% from 2016 to 2020 for the consumer food service industry in Hong Kong.

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Positive Outlook for Food Service Industry in Short and Medium Term

The consumer food service industry in Hong Kong is projected to grow at a healthy CAGR of 10.1% between 2020 and 2025, reaching a total revenue of HK\$126.7 billion in 2025. In Hong Kong, consumer food service is considered as a necessity spending for the majority due to the hectic lifestyles adopted by the local populous. The recovery in the consumer food service industry is driven by the recovery spending from consumers as they adjust to the “new norm” imposed by the COVID-19 pandemic. Nonetheless, the forecasted growth is expected to be aligned with the recovery of the Hong Kong economy and the effectiveness of the Hong Kong government’s measures to contain the COVID-19 pandemic, which both have direct impacts to the overall consumer sentiment.

The Hong Kong government has introduced measures aiming at stimulating the economy by supporting local businesses and their costs in running operations especially within the consumer food service industry. There have been four rounds of subsidy schemes so far with the latest round of applications that ended on 28 January 2021. The fund draws on the Anti-epidemic Fund (AEF) and offers various levels of one-off subsidy ranging from HK\$100,000 to HK\$500,000 depending on the floor area of the licensed premise. The earlier rounds have provided HK\$6.3 billion in subsidies for catering businesses and the fourth round of the AEF subsidy scheme is expected to provide an additional HK\$3.4 billion for catering businesses in need. In addition, the Hong Kong government’s rollout of the COVID-19 immunisation programme in March 2021 as well as the COVID-19 control measures implemented by the government throughout the pandemic period are expected to play a large role in the recovery of Hong Kong economy and consumer food service industry as its success will further lax social distancing measures. In April 2021, the Hong Kong government announced a road map for easing COVID-19 restrictions on restaurants. The plan, which consists of three stages, will allow varying degrees of social distancing for restaurants depending on vaccination status of customers and staff.

The Recovery of the Tourism Sector will drive Recovery of Consumer Food Service Industry in the Medium and Long Term

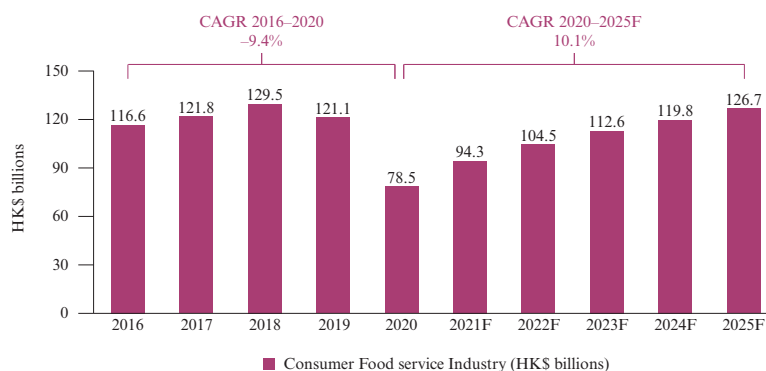
Hong Kong’s consumer food service has suffered during COVID-19 as consumers became more cautious of dining outside due to the strict social distancing measures imposed on restaurants and inbound tourism was restricted in Hong Kong due to the border closure, among other reasons. Restaurants in Hong Kong were required by the Hong Kong government to limit their operating hours. The border closure policy also played a major role in the decline of total retail revenue of the consumer food service industry in 2020. Between 2019 to 2020, the number of inbound arrivals decreased by 94.3%, having an overall negative impact on Hong Kong’s economy, including the consumer food service industry. However, it is expected that the COVID-19 situation in Hong Kong will continue improving between 2021 to 2025 and the resumption and recovery of the travel sector are expected to play a key role in the recovery of the consumer food service industry in Hong Kong. According to Euromonitor, between 2020 and 2025, the number of trips of inbound tourists from Mainland China is expected to increase from 0.9 million trips to 19.4 million trips, almost returning to the level before the outbreak of COVID-19. Besides the gradual relaxation of the borders closure policy of the Mainland China, the recovery of inbound Mainland Chinese tourists will also be driven by government initiatives in the short term such as the Return2hk scheme which would provide quarantine exemptions for persons returning from the Mainland China. This will inevitably play a major role in the full

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recovery of the consumer food service in Hong Kong as Chinese consumers is expected to resume expenditure in the local market. Between 2020 to 2021, it is expected that inbound trips from Mainland China would increase by 566.0%, reaching 5.9 million trips in 2021.

Besides the recovery of the tourism industry of Hong Kong, other main growth drivers of the consumer food service industry include (i) the growing consumer demand for convenient, affordable and high quality meals; (ii) the recovery and increase of domestic dine-in customers in the consumer food service industry; (iii) the growing trend of restaurants acclimatising their business models to adapt to the changing habit of the customers to order online food deliveries; and (iv) the increasing number of Mainland Chinese tourists in the short term.

Table 1 Total Retail Sales Value of Consumer Food Service Industry in Hong Kong (2016–2025F)



Source: Euromonitor Passport Data (<Consumer Food service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

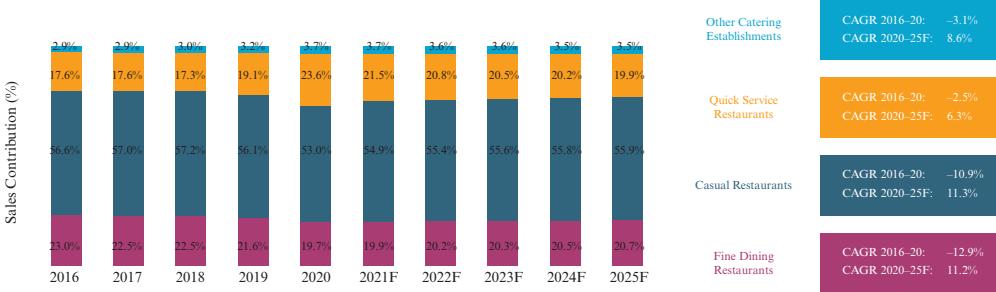
Casual Restaurants Made Up the Largest Consumer Food Service Category by Revenue

The consumer food service industry can be split into the following four sub-categories: Fine Dining Restaurants, Casual Restaurants, Quick Service Restaurants and Other Catering Establishments. Casual Restaurants represented the largest of the four, accounting for over half of the total revenue generated in the consumer food service industry in 2020. This was followed by Quick Service Restaurants and Fine Dining Restaurants which represented 23.6% and 19.7% of the industry respectively in 2020. The Other Catering Establishments category was the smallest by revenue, accounting for 3.7% of the industry in 2020.

Casual Restaurants appeal to many consumers with their variety of cuisine offerings and relatively affordable prices. Average spending on a meal within this category can range from HK\$50 to HK\$300. Compared to Fine Dining Restaurants, Casual Restaurants also have more flexible food service times, longer business hours, faster turnaround times per customer, and higher traffic.

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Table 2 Restaurant Revenue in Hong Kong split by sub-categories (2016–2025F)



Source: Euromonitor Passport Data (<Consumer Food service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

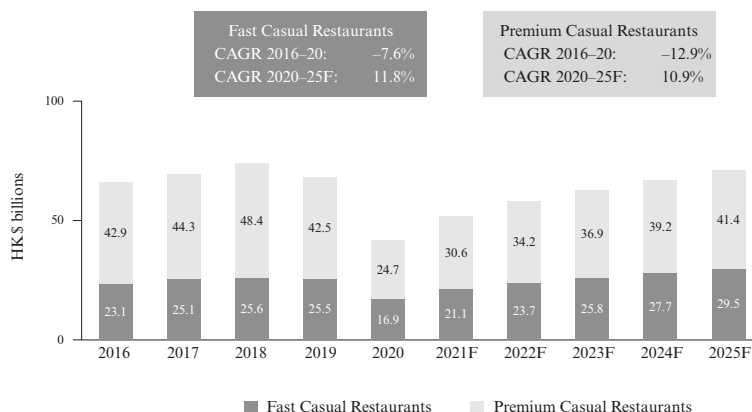
1.1 Overview of Casual Restaurants in Hong Kong

Growth of Fast Casual Restaurants Outpaces Premium Casual Restaurants

Premium Casual Restaurants accounted for 59.4% of the total revenue of Causal Restaurants while Fast Casual Restaurants accounted for the remaining 40.6% of the total revenue of Casual Restaurants in 2020. Although Fast Casual Restaurants accounted for a smaller portion, it grew at a higher rate between 2016 and 2019 with a CAGR of 3.3%, as opposed to the CAGR of -0.3% for Premium Casual Restaurants during the same period. The Casual Restaurants segment has been hindered by the COVID-19 impact on Premium Casual restaurants, which is expected to take longer to recover to 2019 levels. Fast Casual Restaurants, on the other hand, is expected to see recovery by 2023 and drive growth for the entire Casual Restaurants segment with faster growth than Premium Casual Restaurants. Fast Casual Restaurants are also expected to outpace the rest of the consumer food service categories with a CAGR of 11.8% between 2020 and 2025, as compared to 10.1% for the entire consumer food service industry. Fast Causal Restaurants will continue to benefit from the ongoing trend of consumers enjoying a standard of convenient and freshly prepared meals with value for money. In addition, due to the COVID-19 social distancing measures such as restriction on large group dining, Fast Casual Restaurants have demonstrated more resilience than Premium Casual Restaurants and Fine Dining Restaurants as Fast Casual Restaurants are more suitable for individual and small group dining and typically have more operational flexibility in terms of operational hours, staffing, takeaway and delivery orders to adjust to COVID-19 control measures.

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Table 3 Casual Restaurants Revenue in Hong Kong, (2016–2025F)

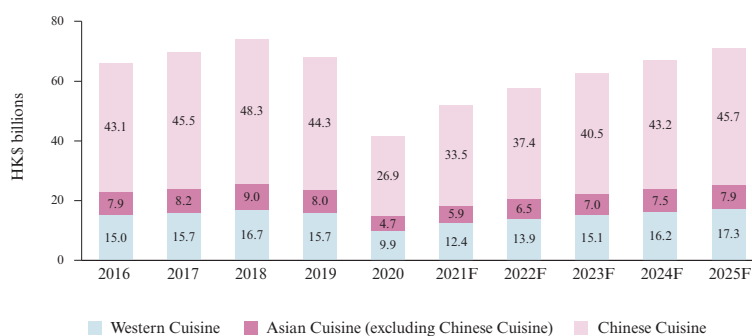


Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

Asian Cuisine Made Up Most of the Casual Restaurants Segment

Within the Casual Restaurants category, Asian restaurants, including Chinese cuisine restaurants, accounted for the major portion of the market, representing a market share of 76.2% in 2020, while Western restaurants accounted for the remaining 23.8% in 2020. Amongst Asian restaurants, Chinese cuisine restaurants contributed 85.0% of the sales while other Asian cuisine restaurants such as Japanese, Thai and Korean accounted for the remaining 15.0% market share of Asian restaurants in 2020. This was mainly due to the strong cultural heritage in Hong Kong and the fact that Chinese food, especially those offered at casual Asian noodle specialty restaurants, is sold at affordable prices whilst being freshly and quickly prepared, thus appealing to much of the Hong Kong population. The comparatively low-price points and fast turnaround times have further cemented Asian noodle specialty restaurants as a popular staple dining option rather than a trendy meal option. In terms of classification, our Group operates within the Asian restaurant segment which is inclusive of Chinese cuisine restaurants.

Table 4 Casual Restaurants Revenue Split by Cuisine Type in Hong Kong, (2016–2025F)



Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

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1.2 Drivers for Fast Casual Restaurants in Hong Kong

High Demand for Fast Casual Restaurants as Consumers Look for A Balance Between Quality and Price

Between 2016 and 2019, there had been an increasing demand for more affordable dining options which has driven the revenue of Fast Casual Restaurants to grow from HK\$23.1 billion in 2016 to HK\$25.5 billion in 2019, representing a CAGR of 3.3%. Although the revenue of Fast Casual Restaurants was set back to HK\$16.9 billion in 2020, the extent of decline in percentage terms was still less than that for Premium Casual Restaurants. While Hong Kong consumers are generally cost conscious, they are willing to pay more for better quality as compared to cheaper meals that are of lower quality. Fast Casual Restaurants are perceived to strike a balance between quality and price as compared to other dining segments, such as the high quality but expensive offering of Fine Dining Restaurants and the cheap but low quality offering of Quick Service Restaurants. In addition, the weakened economy driven by the COVID-19 pandemic has pushed consumers who would typically visit Premium Casual Restaurants to dine more at Fast Casual Restaurants due to convenience, more cost effective meals and the limitation of dining options in areas near or within residential areas. Upscale dining at Premium Casual and Fine Dining Restaurants focus on the dining experience and result in a longer dining time than Fast Casual Restaurants. Due to the uncertainties experienced during the COVID-19 pandemic, planning ahead and enjoying longer meals may have been a luxury many diners could not afford as transportation to and from these restaurants could be disrupted. Instead, Fast Casual Restaurants which also have more outlets than Premium Casual Restaurants could offer the spontaneity and convenience that diners prioritised during this period.

Having A Busy Lifestyle Prompts Consumers to Dine Out or Order takeaway

As an international hub, Hong Kong people are known for working long hours and leading a busy lifestyle. According to the 2020 Report on Annual Earnings and Hours Survey published by the Census and Statistics Department, the median weekly working hours of Hong Kong employees were 42.8 hours in 2020. Due to long working hours, it is common for office workers and households to prioritise convenience when selecting dine-out or takeaways options in favour of cooking meals at home. The process of buying groceries, cooking and cleaning after the meal may not be an ideal trade off due to the amount of effort and time spent. As a result, Fast Casual Restaurants, which serve food quickly and have an efficient checkout process, are favoured by busy consumers, office workers and other workers who are seeking for a quick and filling meal. Asian noodle specialty restaurants, which includes Chinese cuisine noodle restaurant such as Mixian, are popular options within Fast Casual Restaurants as many fit the convenient requirement and appetite of busy workers.

Customisation from Fast Casual Restaurants and Quick Service Restaurants Offer Unique Dining Experiences

Hong Kong generally has a high proportion of consumers who dine at restaurants due to the convenience and wide variety of cuisine options. While these have been strong reasons for dining out, some Fast Casual and Quick Service Restaurants have incorporated the element of customisation into their dining experience. Chain Fast Casual Restaurants, such as our Group, allow consumers to choose ingredients, soup base

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and even spiciness level to match their preference, and Quick Service Restaurants, such as certain burger restaurant, allows consumers to create their preferred burger meals through some customisation option. These elements of customisation not only cater to a wide variation of diets, but also done in a cost-effective manner and enable consumers to enjoy unique dining experiences which offset brand fatigue, further boosting consumer loyalty.

Online Food Delivery Grows During the Covid-19 Pandemic and expected to become a New Normal

Between 2016 and 2020, Hong Kong’s dine-in revenue remained to be the largest contributor to the revenue of consumer food service industry, even though dine-in revenue recorded a sharp decline in 2020, dropping from 87.9% in 2016 to 57.9% in 2020. The sharp decline was due to the effects of COVID-19 where consumers were switching to order food through delivery and takeaway platforms. During the same period, the food delivery and takeaway proportion of the consumer food service industry increased from 12.1% in 2016 to 42.1% in 2020.

Between 2016 and 2020, the total consumer food service revenue generated by delivery and takeaway grew from HK\$14.1 billion to HK\$33.0 billion, representing a CAGR of 23.7%. The Fast Casual Restaurants and Quick Service Restaurants are the main contributors to delivery service as the style of food is not contingent upon meticulous preparation, plating and service as opposed to upscale dining such as Fine Dining Restaurants and Premium Casual Restaurants. Traditionally, food delivery is made through offline channels such as in-person takeaways or phone orders, however in recent years due to technological advancements and smart phone adoption, there has been a growing presence of online food ordering. Revenue generated by online food ordering grew from HK\$1.2 billion to HK\$15.7 billion between 2016 to 2020, representing a CAGR of 91.5%.

The overall rise in food delivery is a testament to how Hong Kong consumers prefer convenience and efficiency. Between 2016 and 2020, major food delivery operators such as Deliveroo, Foodpanda and Uber Eats launched promotional campaigns and utilised local key opinion leaders to draw awareness towards online food delivery. The rollout of mobile apps operated by these food delivery operators, which integrates online ordering from food service and food delivery through third-party logistics, has also made the process more convenient by lowering previous challenges of this service such as ordering only from a web browser. Food delivery has become popular in 2020, as outings and social gatherings were minimised to prevent the COVID-19 infections. There has also been an increasing demand for food deliveries in areas outside the central business districts as businesses have adopted “work-from-home” arrangements due to the COVID-19 pandemic. During this period, food delivery operators saw a significant boost in demand in Hong Kong. As many consumers become accustomed to online food ordering, the habit spurred by the convenient aspect of the process may become long lasting post the COVID pandemic and lead to a higher proportion of online food orders than before.

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1.3 Challenges for Fast Casual Restaurants in Hong Kong

High Rental Costs, Rising Wages and Fierce Competition Erode Restaurants’ Profit Margins

Rental and labour costs are key components of a restaurant’s operating costs. In general, rent costs account for more than 30% of the total operating costs of a restaurant in Hong Kong. Rental costs for retail premises increased in 2017 and 2018, according to data from the Rating and Valuation Department of Hong Kong. Although retail rents declined in 2020, rent costs in Hong Kong remained high and continued to exert financial pressure on restaurants, particularly in light of the difficult business environment they experienced in 2019 and 2020. Labour costs increased between 2016 and 2020, as shown in the increase in the median monthly wages of restaurant staff at a CAGR of 3.6% to reach HK\$13,600 in 2020. From May 2019, the Statutory Minimum Wage rate was raised to HK\$37.5 an hour, an 8.7% rise from the previous level of HK\$34.5. The increase was projected to add an extra HK\$700 million a year to the expenses of the entire business sector. This has impacted the profitability of restaurant operators and has prompted more strategic initiatives such as meal sets and special menu offerings as ways to grow business amidst rising costs.

Fierce Competition in the Consumer Food Service Market

The Hong Kong Consumer Food Service industry landscape is fragmented and highly competitive. Hong Kong has one of the highest concentrations of restaurants per capita in the world. This means more choices for consumers and also a higher established standard of quality expected by consumers. Within the Fast Casual Restaurants segment, Asian noodle offerings are also becoming more diverse. While ramen and Chinese noodle, including mixian, are the most popular cuisine types in this segment, there is increasing diversity in noodle types from other Asian regions, such as Vietnamese Pho, Taiwanese beef noodles and Thai boat noodles. The introduction of more noodle choices means a more diluted consumer base for the previously established Chinese noodles and ramen consumer market. However, ramen and Chinese noodles remain popular with new product and flavour offerings to entice consumers.

1.4 Business Model and Operational Costs of the Hong Kong Consumer Food Service industry

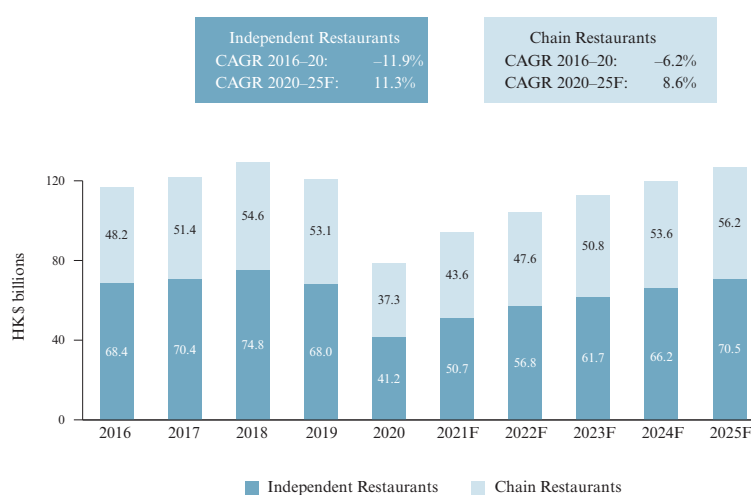
Chain Restaurants have had a Significant Share of Consumer Food Service Industry and Higher Growth Rate than Independent Restaurants

Chain restaurants represent a significant proportion of restaurants in Hong Kong. In 2020, chain restaurants generated a total revenue of HK\$37.3 billion, accounting for a market share of 47.5%, whilst independent restaurants generated HK\$41.2 billion, accounting for a market share of 52.5%. Although the overall market share of chain restaurants was still smaller than that of independent restaurants, the CAGR of chain restaurants between 2016 to 2019 was higher than that of the independent restaurants. The high growth rate of chain restaurants was attributable to the high levels of standardisation and consistency in their menus, food quality, level of service and atmosphere across the outlets, which helps to achieve operational efficiency. The purchase of food ingredients in bulk also helps to reduce the per unit cost of ingredients, thus offering competitive pricing and ensuring a stable supply. These factors have made chain restaurants more resilient to the challenges faced by the overall consumer food service

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industry in late 2019 and 2020. Both the 2019 social movements in the latter half of 2019 and COVID-19 pandemic have distorted consumer expenditure, and independent restaurants were more impacted than chain restaurants. Between 2020 and 2025, independent restaurants are expected to record a CAGR of 11.3% to reach HK\$70.5 billion revenue, while chain restaurants are expected to record a CAGR of 8.6% to reach HK\$56.2 billion during the same period. Within chain restaurants, certain brands have a large tourist consumer base which has severely impacted business in 2020 due to COVID-19 pandemic shutting off borders. For our Group, there has not been a large decline in revenue year on year. This can be attributed to a strong local demand for the brand and strategic partnerships with food delivery operators.

Table 5 Chain and Independent Restaurants Revenue in Hong Kong, (2016–2025F)



Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >)

Chain Asian Noodle Specialty Restaurants Adopt Centralised Operations

Asian noodle specialty restaurants in Hong Kong are typically categorised as Fast Casual Restaurants due to the nature of the restaurants. Asian noodle specialty restaurants are generally more suitable for individual or small group dining and typically use a combination of both fresh and processed toppings to prepare quick and affordable meals. Larger chain Asian noodle specialty restaurants such as our Group typically operate their business with a central kitchen where soup bases, sauces, marinades and other food ingredients are prepared for all the outlets in Hong Kong, ensuring consistency in the taste and quality of food among the outlets and reduce the overall time and costs of food processing through economies of scale. Most Asian noodle specialty restaurants have designed their menu items such that it can be prepared under relatively simple procedures at restaurant locations, in order to reduce reliance on highly experienced chefs and reduce food preparation time.

The main costs components for Asian noodle specialty restaurants are labour costs, rent and rates, and ingredient costs. Typical staff required in an Asian noodle specialty restaurant include a restaurant manager, cooks, kitchen workers, cashier and waiters/waitresses. It is also common for chain Asian noodle specialty restaurants to adopt a centralised procurement policy under which the procurement department is

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responsible for purchasing the food ingredients for all the outlets. This allows the chain restaurants to enjoy greater bargaining power when negotiating with suppliers and maintain consistency in the quality of ingredients.

Fast Casual Restaurants have Remained Resilient during Uncertain Times

Fast Casual Restaurants have remained resilient during the COVID-19 outbreak due to its affordable price point, relatively high volume turnover and flexible business model, such as high adaptability to delivery services. According to the Euromonitor Survey, a vast majority of respondents mentioned that they dine in or order takeaways and delivery from Fast Casual Restaurants more frequently than from Premium Casual Restaurants. Not only are Fast Casual Restaurants able to offer cheaper meal options than Premium Casual Restaurants, but also prepared with higher quality food ingredients than Quick Service Restaurants, which enable Fast Casual Restaurant meals to be considered as a staple dining option, acceptable to be eaten multiple times throughout the week for many consumers. In contrast, most Premium Casual Restaurants are more expensive and cannot be considered as a recurring meal throughout the week. Furthermore, a significant portion of Fast Casual Restaurants have adopted offline delivery or takeout services prior to the COVID-19 and hence have the infrastructure in place to easily adopt an online food delivery model during the pandemic. As a result, Fast Casual Restaurants have demonstrated higher resilience than other dining segments such as Fine Dining and Premium Casual Restaurants.

Labour Costs in Hong Kong’s Consumer Food service Industry Increased Steadily

Labour costs of the consumer food Service industry increased steadily between 2016 and 2020, with median monthly wages of restaurant staff rising from HK\$11,800 to HK\$13,600.

Table 6 Labour Cost (2016–2020)

HK\$	2016	2017	2018	2019	2020	CAGR 2016–20
Median monthly wages of restaurant staff*	11,800	12,400	13,100	13,800	13,600	3.6%

Source: Census and Statistics Department of Hong Kong

* The above does not include the Mandatory Provident Fund. The catering industry follows a different MPF scheme due to the highly fluid nature of these industries.

Ingredient Costs Rose in Hong Kong due to Rising Food Prices in Mainland China

Hong Kong relies heavily on Mainland China as an important food source especially for fresh food. According to the Food and Health Bureau, more than 90% of fresh pork, fresh beef and vegetables in Hong Kong were imported from Mainland China in 2020. Between 2016 and 2020, the prices of major raw materials such as meat, vegetables, fish and seafood, had been increasing in Hong Kong due to the rising prices of fresh food in Mainland China. Rice noodles (including mixian) typically originates from Mainland

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China. Compared with other noodles (such as egg noodles and fine shrimp noodles), rice noodles are typically categorised at a lower price tier. Between 2016 to 2020, the price of rice noodles has remained stable due to the staple nature of the product.

Table 7 Consumer Price Index Indicators in Hong Kong (2016–2020)

Price Index (2010 = 100)	2016	2017	2018	2019	2020	CAGR 2016–20
Consumer Price Index (CPI)	125.9	127.8	130.8	134.6	135.0	1.8%
Index of Food and Non-Alcoholic Beverage Prices	129.4	131.8	137.6	139.9	141.6	2.3%
Index of Meat Prices	135.8	139.3	144.8	148.3	150.8	2.7%
Index of Fish and Seafood Prices	153.9	156.2	166.3	171.5	174.4	3.2%
Index of Vegetables Prices	126.1	122.3	128.4	132.3	134.0	1.5%
Index of Other Food Prices	111.0	115.0	119.5	118.2	118.9	1.7%

Source: Euromonitor Passport Data (< Economies and Consumers Annual Data, 2021 Edition >), sourced from Census and Statistics Department of Hong Kong

Retail Rent Declined in 2020 as Lockdown Restrictions Curtail Demand for Retail Space

Between 2016 and 2020 the average monthly private property rent on Hong Kong Island, Kowloon and New Territories all recorded an overall decline, which was largely due to a substantial decline in retail rent in 2020. The average monthly rent for retail premises in the major districts in Hong Kong rose between 2016 and 2018, as strong economic growth and consumer spending drove growth of the retail industry and demand for retail space. Retail rents stayed flat in 2019, followed by a significant decline in 2020 as retail activities contracted under lockdown measures, resulting in falling demand for retail space. To attract and maintain tenants, major retail landlords such as Hong Kong’s biggest shopping centre, Harbour City, have offered rent concessions throughout 2020.

Table 8 Retail Rent for Hong Kong (2016–2020)

Average private property rentals (per square foot) per month HK\$	2016	2017	2018	2019	2020	CAGR 2016–2020
Hong Kong	139.3	141.0	142.4	142.4	112.1	–5.3%
Kowloon	124.3	129.7	132.8	129.6	104.8	–4.2%
New Territories	120.8	123.1	125.5	125.6	108.3	–2.7%

Source: Rating and Valuation Department of Hong Kong

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1.5 Consumer Food Service Competitive Landscape in Hong Kong

Fragmented Consumer Food Service Industry Shows Sign of Consolidation Led by Local Chain Players

The Casual Restaurants category is fragmented and competitive, with the top five companies accounting for 23.3% of the total Casual Restaurants’ market revenue in 2020. The five leading companies in the Casual Restaurants category were domestic establishments and have a strong Chinese cuisine restaurant portfolio. In terms of number of restaurants and revenue, our Group ranks third within the Casual Restaurants category in 2020, which supports consumer notion that the Tam Jai and SamGor brands are accessible and widely recognised. Between 2019 to 2020, our Group’s market share within Casual Restaurants increased from 2.5% to 4.0%.

Table 9 Casual Restaurants Competitive Landscape in Hong Kong, Top 5 (2020)

Market Share Rank*	Company	Background information	Listing Status	Market share (%)	Number of restaurants
1	Group A	A food and beverage company established in 1956, comprised of Chinese, Asian and European restaurants.	Private	8.0	390
2	Group B	A food and beverage company established in 1989, comprised of Chinese, and other Asian restaurants.	Listed on the Hong Kong Stock Exchange	5.3	148
3	Our Group			4.0	141
4	Group D	A food and beverage company established in 1991, comprised of Chinese restaurants.	Listed on the Hong Kong Stock Exchange	3.0	46
5	Group E	A food and beverage company established in 1992, comprised of Chinese, and other Asian restaurants.	Listed on the Hong Kong Stock Exchange	3.0	74
	Others			76.7	5,920

*Note**: Market Share Rank is based on the revenue receipts from largest to smallest

Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

The Fast Casual Restaurants category is more consolidated than the Casual Restaurants category with the top five companies accounting for 31.3% of the Fast Casual Restaurants market revenue in 2020. In 2020, four out of the top five groups were domestic companies and four out of the five companies had more than 117 restaurants, emphasising the importance of Fast Casual Restaurants being easily available and located for consumers. In terms of number of restaurants, our Group ranks second within the Fast Casual Restaurants category in 2020.

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Table 10 Fast Casual Restaurants Competitive Landscape in Hong Kong, Top 5 (2020)

Market Share Rank*	Company	Background information	Listing Status	Market share (%)	Number of restaurants
1	Group B	A food and beverage company established in 1989, comprised of Chinese, and other Asian restaurants.	Listed on the Hong Kong Stock Exchange	11.7	135
2	Our Group			10.0	141
3	Group A	A food and beverage company established in 1956, comprised of Chinese, Asian and European restaurants.	Private	3.8	169
4	Group F	A food and beverage company established in 1967, comprised of Chinese restaurants.	Listed on the Hong Kong Stock Exchange	3.2	19
5	Group G	A Western styled coffee house chain established in 1992.	Private	2.6	117
	Others			68.7	2,655

Note:* Market Share Rank is based on the market share % from largest to smallest

Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

Asian Noodle Specialty Restaurants are Dominated by a Few Large Players

In 2020, the Asian noodle specialty restaurant segment recorded a total sales value of HK\$2.6 billion. The Asian noodle specialty restaurants segment is highly consolidated, with the top five companies accounting for 92.1% of the segment’s revenue in 2020. Outside of the nine chained Asian noodle specialty restaurants, the market remains highly fragmented with many independent, single-outlet Asian noodle specialty restaurants spread across Hong Kong. In 2020, our Group was ranked number one in market revenue as well as number of restaurants and had captured more than half of the segment through our well-known TamJai and SamGor brands. In 2019, our Group captured 58.5% of the market share for Asian noodle specialty restaurants in terms of revenue and this has increased to 64.4% of the market share for Asian noodle specialty restaurants in 2020. The diversity of cuisines in the Asian noodle specialty restaurants segment (such as Chinese, Vietnamese and Japanese noodles) reflects local consumers’ interest in noodles, a type of food that they are familiar with and find comfort in. According to the Euromonitor Survey, our Tam Jai and SamGor brands were the most recognised Asian noodle brands in Hong Kong. Majority of those who recognised the brands visited Tam Jai and/or SamGor more than once a month.

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Table 11 Asian Noodle Specialty Restaurants Competitive Landscape in Hong Kong, Top 5 (2020)

Market Share Rank*	Company	Background Information	Listing Status	Market share (%)	Number of restaurants
1	Our Group			64.4	141
2	Group H	A Chinese chained noodle restaurant group established in 1981.	Private	10.3	23
3	Group I	A group offering quick service, casual dining and institutional catering established in 1968.	Listed on the Hong Kong Stock Exchange	7.8	19
4	Group J	A Japanese chained noodle restaurant group established in 1996.	Listed on the Hong Kong Stock Exchange	5.7	22
5	Group K	A Vietnamese chained noodle restaurant group established in 2003.	Listed on the Hong Kong Stock Exchange	3.9	13
	Others			7.9	309

Note:* Market Share Rank is based on the revenue receipts from largest to smallest

Source: Euromonitor estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

Our Group has several competitive strengths in the consumer food service industry and has a top five position in 2020 within a fiercely contentious market in terms of total revenue. Despite being in a specialised category of Asian noodle specialty restaurants, our Group also stands in the second position within Fast Casual Restaurants in terms of total revenue. Below are some advantages that our Group holds:

- An extensive network of restaurants to reach a larger consumer base
- A pioneer in the mixian market
- Establishment of a highly standardised and scalable business model that enables future growth

2. OVERVIEW OF THE FOOD SERVICE INDUSTRY IN MAINLAND CHINA

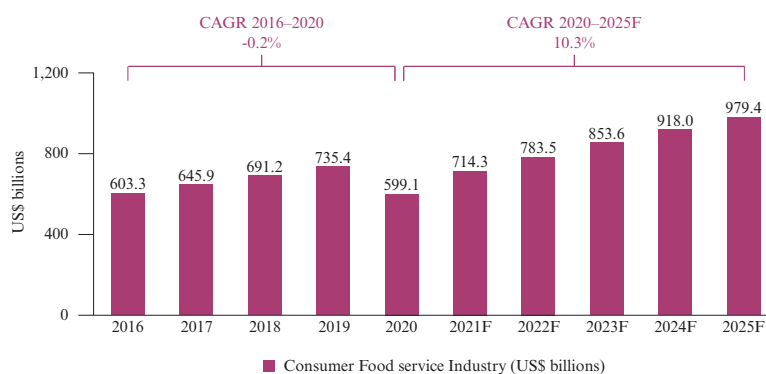
Consumer Food Service Industry in Mainland China Offers a Blend of Tradition and Innovations

The consumer food service industry in Mainland China offers a wide range of local, regional and international cuisines, set against its broad geographic coverage with diverse culinary traditions in different regions. Between 2016 and 2020, the consumer food service industry grew at a CAGR of –0.2%, reaching a total revenue of US\$599.1 billion in 2020. The consumer food service industry saw a year-on-year contraction of –18.5% in the total revenue in 2020 due to the pandemic, which contributed to an overall decline in industry revenue for 2016–2020 period. However, the market is expected to rebound quickly owing to the industry’s rapid adoption of technologies, leveraging on Chinese consumers’ extensive usage of smartphones and mobile apps. Online food delivery has grown rapidly from US\$36.2 billion

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in 2016 to US\$119.8 billion in 2020, led by major mobile platforms that offer consumers a wider variety of restaurant choices and bigger discounts than before. The consumer food service industry is expected to reach US\$979.4 billion in 2025, representing a CAGR of 10.3%.

Table 12 Total Retail Revenue of Consumer Food Service Industry in Mainland China (2016–2025F)



Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

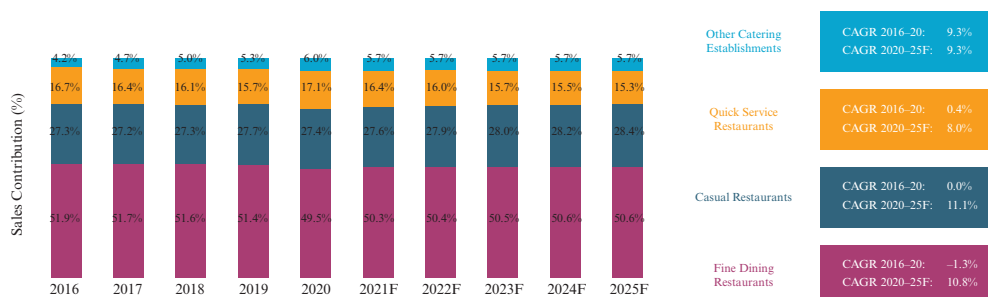
All Consumer Food Service Categories Enjoyed Strong or Moderate Growth with Fine Dining Restaurants Maintaining the Largest Market Share

Fine Dining Restaurants represent the largest of the four restaurant categories in Mainland China, accounting for 49.5% of the consumer food service industry revenue in 2020. It is followed by Casual Restaurants with 27.4% and Quick Service Restaurants with a 17.1% market share. The Other Catering Establishments represent the smallest category by revenue, accounting for just 6.0% of the industry in 2020.

All three main categories of restaurants, namely Fine Dining Restaurants, Casual Restaurants and Quick Service Restaurants, showed robust growth in terms of revenue between 2016 and 2019, with Casual Restaurants leading with a CAGR of 7.3% in revenue, followed closely by Fine Dining Restaurants at 6.5% and Quick Service Restaurants at 4.7%. However, due to the COVID-19 pandemic, Casual Restaurants, Fine Dining Restaurants and Quick Service Restaurants saw a CAGR of 0.0%, -1.3% and 0.4% respectively between 2016 to 2020. Between 2020 and 2025, all four restaurant categories are expected to register strong growth, representing a CAGR between 8.0% to 11.1%. This is partly due to the segments' expected recovery from the low base in 2020 as the size was impacted by the COVID-19 pandemic, while the macro growth drivers, such as Mainland China's urbanisation, increasing disposable incomes and rising appetite for dining out will continue to support the growth of consumer food service industry in the future.

INDUSTRY OVERVIEW

Table 13 Restaurant Revenue in Mainland China split by sub-categories, (2016–2025F)



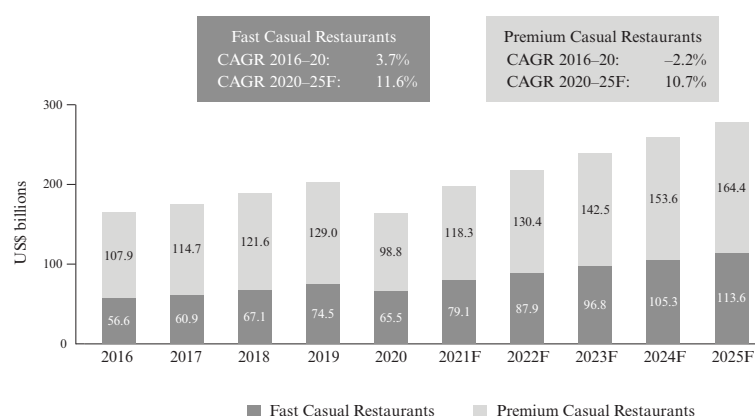
Source: Euromonitor Passport Data (< Consumer Food service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

2.1 Overview of Casual Restaurants in Mainland China

Fast Casual Restaurants and Asian Cuisine Show Steady Growth in Review Period

Casual Restaurants can be split into Fast Casual Restaurants and Premium Casual Restaurants. Between 2016 and 2020, Fast Casual Restaurants grew at a higher CAGR of 3.7% than Premium Casual Restaurants which registered a CAGR of -2.2%. The same trend is expected to continue with Fast Casual Restaurants outpacing Premium Casual Restaurants from 2020 to 2025 due to the increasingly sophisticated offerings from Fast Casual Restaurants and effectively shortening the differentiation from Premium Casual Restaurants.

Table 14 Casual Restaurants Revenue in Mainland China, (2016–2025F)



Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

Asian cuisine, which includes Chinese cuisine, within the Casual Restaurants segment has also demonstrated a slight decline registering a -0.2% CAGR from 2016 to 2020, but is expected to recover rapidly with a high CAGR of 11.0% from 2020 to 2025. Asian restaurants are the predominant cuisine in Mainland China with 90.5% market share of Casual Restaurants in 2020, with Chinese cuisine contributing a significant portion. Many Chinese restaurants are also categorised within the Fast Casual segment.

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The Asian Casual Restaurants segment is primarily driven by the middle class who seek convenient and affordable dining options. In recent years, the growing presence of online food delivery and other digital technologies such as customer engagement through apps have been important developments within the Asian Casual Restaurants segment. These drivers are expected to continue to enhance and boost the Asian Casual Restaurants segment and the popularity of Asian noodles in the forecast period. These restaurants are capturing more consumers by developing mobile apps targeting the local dining market. These mobile apps are integrated within popular social media platforms in Mainland China and can incorporate loyalty membership plans that offer rewards and discounts. Chinese brands are often more in touch with the local culture and can relate better with Chinese consumers.

Within Asian Casual Restaurants, Asian noodle specialty restaurants are a popular choice for consumers. It is known that noodles originated from China and there is a strong culture of noodles consumption in Mainland China. Different regions in Mainland China have varying local preparations of noodle dishes. The long history of eating Chinese noodles has not faded in modern times as Chinese restaurants are adapting to the new generation of consumers. With such strong heritage, noodles are often served in many Chinese restaurants as a type of cuisine and Asian noodle specialty restaurants are a common but, fragmented, restaurant type under Fast Casual segment in China.

2.2 Drivers in the Consumer Food Service Industry in Mainland China

Urbanisation and Rising Incomes are Key Drivers for Consumer Food Service in Mainland China

Mainland China’s economic development and urbanisation have been a key macro growth driver for the consumer food service industry between 2016 and 2020. Since the early 1980s, more than 300 million rural migrants have moved to Chinese cities, drawn by opportunities in urban areas. According to the World Bank, 60.3% of people live in urban areas in Mainland China as of 2019, comparing to 56.7% as of 2016. Urbanisation has also contributed to increasing disposable incomes, smaller households and busier lifestyles. The combination of higher incomes and busy lifestyles has boosted the demands for dining out for more opportunities to try out new cuisines and experiences while saving time for cooking. While convenience is the main priority, the quality of both ingredients and preparation remain an important factor for choosing a meal option. Out of the dining options provided in Mainland China, Fast Casual Restaurants provide a good balance to support the local consumers’ food consumption priorities.

Consumer Food Service Industry makes Growing use of Digital Technologies

Consumer food service restaurants in Mainland China are increasing their usage of digital technologies, particularly mobile apps, to attract consumers, boost consumer loyalty and offer greater convenience. A number of Chinese restaurants has started developing membership plans and engaging with consumers through social media platforms, such as WeChat or their self-developed mobile apps to enhance communication with consumers. Under membership plans, restaurants usually offer rewards and discounts through the mobile apps. Such initiatives also allow restaurants to gather consumer data, which can be used to analyse consumers’ preferences and adapt products and services to the ever-changing consumer trends. The rise of social media and internet key opinion leaders is another factor that has an influential impact on deciding

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meal options. Thus, consumer food service players are paying closer attention to social media trends and incorporating consumer insights into their marketing strategies. Other innovative applications of digital technology include mobile apps that inform customers when their orders are ready and the trial rollout of robot chefs and wait staff in some restaurants to improve efficiency and attract customers.

As the consumer food service becomes more digitalised, the prevalence of food delivery and takeaway has also grown as consumer food service players take advantage of delivery platforms. Between 2016 and 2020, Mainland China’s food delivery and takeaway had already been experiencing a strong growth due to the widespread adoption of technology within the consumer food service industry. During this period, Mainland China’s food delivery and takeaway revenue contribution grew from 14.9% to 24.1% of the consumer food service industry. The consumer adoption of food delivery and takeaway is mostly observed within urban cities such as Shanghai and Beijing, where the consumer lifestyle is considerably more hectic.

2.3 Challenges in the Consumer Food service Industry in Mainland China

Restaurants Under Cost Pressure Due to Rising Food Costs

Rising food costs have become a growing challenge for consumer food service operators in Mainland China, in light of the surge in prices of pork and other meat in 2019. Some operators have managed the increase in food costs by passing them to suppliers and modifying their menus. For example, a leading Quick Service Restaurant player asked its suppliers to take much of the increase in chicken prices, keeping inflation under 10%. It also increased the number of non-chicken items on its menu. However, smaller operators may have fewer options to cope with rising costs and limited supplies. Many operators have to either absorb the increase in food costs or raise prices but risk losing customers. A Beijing-based chain that specialises in the traditional Chinese pork bun, had to lower prices again after a small price hike hurt its business. Despite rising ingredient and costs, the overall expenses need to operate a restaurant in an urban setting in Mainland China remain below expenses needed to operate a restaurant in Hong Kong.

2.4 Labour and Raw Material costs in Mainland China

Labour costs of the consumer food service industry increased steadily between 2016 and 2019, with the average annual wages of hotels and catering services staff rising from US\$4,616.9 to US\$5,737.9. The index of food and non-alcoholic beverages prices have also increased from 135.6 to 149.8 from 2016 to 2020.

Table 15 Labour Cost in Mainland China (2016–2020)

In US\$	2016	2017	2018	2019	2020	CAGR 2016–20
Average annual wages of hotels and catering services staff	4,616.9	5,025.6	5,340.4	5,737.9	N/A*	N/A

Source: National Bureau of Statistics China

* 2020 data has not been published at the time of research

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Table 16 Raw Ingredients Costs in Mainland China (2016–2020)

Price Index (2010 = 100)	2016	2017	2018	2019	2020	CAGR 2016–20
Index of Food and Non-Alcoholic						
Beverage Prices	135.6	134.6	137.0	146.9	149.8	2.5%
Index of Meat Prices	142.4	141.4	145.7	164.1	167.4	4.1%
Index of Fish and Seafood Prices	142.8	148.8	148.7	152.7	156.7	2.3%
Index of Vegetables Prices	148.7	137.5	143.3	152.3	156.0	1.2%
Index of Other Food Prices	118.7	118.7	117.5	121.9	123.8	1.1%

Source: Euromonitor Passport Data (< Economies and Consumers Annual Data, 2021 Edition >), sourced from national statistics

2.5 Consumer Food Services Competitive Landscape in Mainland China

Leading Players Account for a Small Share of Mainland China’s Huge Consumer Food Service Market

The consumer food service industry in Mainland China is highly fragmented due to the country’s extensive geographical coverage. The total number of restaurants increased from 9.5 million in 2016 to 10.1 million in 2020. The top five companies accounted for 3.5% of the consumer food service industry revenue in 2020. Three out of the top five companies are multinational chain restaurants that also play in the Casual Restaurants category. The Asian noodle specialty restaurant category, which is inclusive of Chinese cuisine restaurants specialising in noodles, is comprised of both large chained and small independent players. Within large chained Asian noodle specialty players, the number of restaurants can range up to 711 with revenue over US\$203 million in 2020 as is the case for a well-known listed chain noodle restaurant operator specialising in Japanese ramen, indicating strong demand in the Mainland China market.

Table 17 Fast Casual Restaurants Competitive Landscape in Mainland China, Top 5 (2020)

Market Share Rank*	Company	Background Information	Listing Status	Market share (%)	Number of restaurants
1	Company A	A Western styled coffee house chain established in 1971	Listed on NASDAQ	4.3	4,863
2	Company B	A coffee house chain established in 2017	Listed on OTC Markets	0.8	4,787
3	Company C	A Chinese chain quick service restaurant operator established in 2003	Private	0.7	850
4	Company D	A chained quick service restaurant operator established in 1997	Listed on the Hong Kong and New Year Stock Exchange	0.3	392
5	Company E	A Japanese ramen chain restaurant operator established in 1996	Listed on the Hong Kong Stock Exchange	0.3	711
	Others			93.6	1,366,848

Note:* Market Share Rank is based on the revenue receipts from largest to smallest

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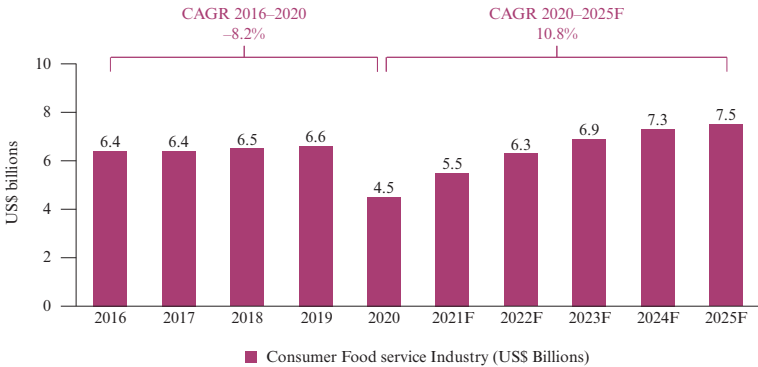
Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

3. OVERVIEW OF THE FOOD SERVICE INDUSTRY IN SINGAPORE

Consumer Food Service Industry in Singapore Records Moderate Growth

Singapore is known for its vibrant consumer food service industry offering a huge variety of cuisines and menus that continuously respond to the consumers’ changing appetite. The consumer food service industry in Singapore recorded moderate growth between 2016 and 2019, but this has been offset by a sharp 31.2% contraction in 2020 due to the effects of the COVID-19 pandemic. As a result, total consumer food service industry revenue recorded a CAGR of –8.2% for the 2016–2020 period to reach US\$4.5 billion in 2020. Singapore is well known for its high income levels and hectic lifestyles. Therefore, local consumers are dining out or ordering food online more often, due to increasing disposable incomes and growing demand for convenience. On the other hand, Singapore’s consumer food service industry is well developed and highly competitive, with restaurants competing to offer promotions and discounts, which has weakened revenue growth to some extent. Despite the downturn in 2020, the consumer food service industry is expected to recover as restaurants adapt to these challenges through the increase adoption of online delivery services, contactless payment methods and increase safety measures to provide a safe dining environment. Between 2020 and 2025, the consumer food service industry is expected to reach US\$7.5 billion of revenue in 2025, representing a CAGR of 10.8%.

Table 18 Total Retail Revenue of Consumer Food Service Industry in Singapore (2016–2025F)



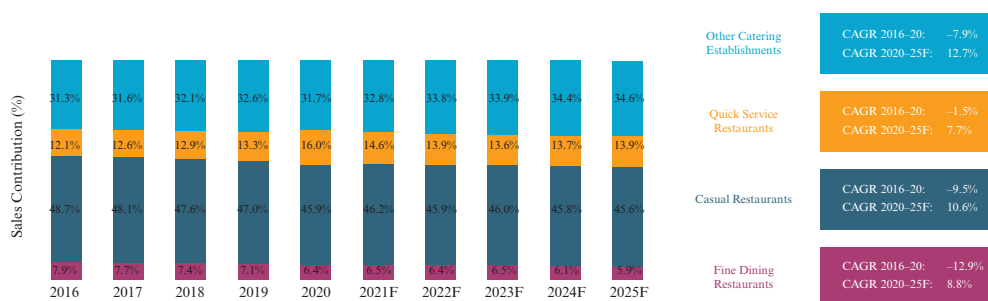
Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

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Consumer Food Service Categories sees Healthy Growth with Casual Restaurants Maintaining the Largest Market Share

Casual Restaurants are the largest contributor to the consumer food service industry in Singapore, accounting for 45.9% of total industry revenue in 2020 following by Other Catering Establishments which include hawker centres, street food and event catering services, which contributed approximately 31.7% of total industry revenue. On the other hand, Quick Service Restaurants and Fine Dining Restaurants maintained a lower contribution of 16.0% and 6.4% of total industry revenue respectively in 2020. The high market share of Other Catering Establishments can be attributed to a large number of hawker centres and the high frequency of visits by its customers, both domestic and international, between 2016 and 2020.

Table 19 Restaurant Revenue in Singapore split by sub-categories (2016–2025F)



Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

3.1 Overview of Casual Restaurants Segment in Singapore

Premium Casual Restaurants Remains Larger than Fast Casual Restaurants but Fast Casual Restaurants Records Higher Growth Rates

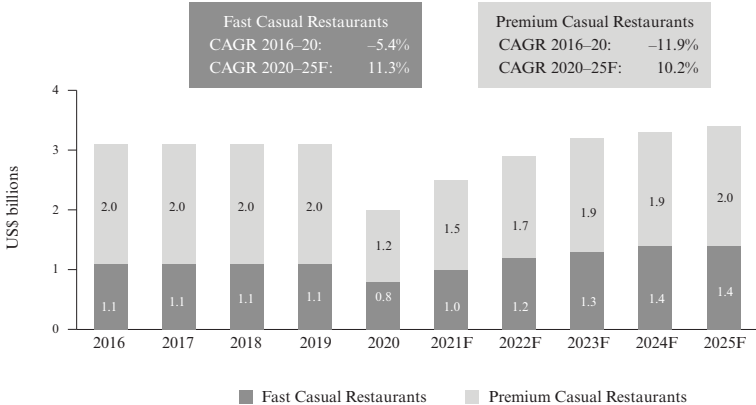
The Casual Restaurants category in Singapore is primarily dominated by Premium Casual Restaurants, accounting for 59.4% of the Casual Restaurants category in 2020. The clear positioning of Premium Casual Restaurants helps avoid fierce competition from Fast Casual Restaurants and Quick Service Restaurants. Despite this, Fast Casual Restaurants have shown strong growth, outpacing Premium Casual Restaurants and the entire consumer food service industry between 2016 and 2019 and registering a faster growth in 2020. Between 2020 and 2025, Fast Casual Restaurants is expected to register strong growth at a CAGR of 11.3%, reaching US\$1.4 billion by 2025 and Premium Casual is expected to grow at a CAGR of 10.2% to reach US\$2.0 billion, as both segments will be growing from a low base recorded in 2020 due to the impact from COVID-19 pandemic.

Within Casual Restaurants, Western and Asian cuisines inclusive of Chinese cuisines, have similar revenue contributions, as Western cafes, bistros and bars are just as popular as Asian cuisines in Singapore. Between 2020 to 2025, the proportions accounted by these two main types of cuisine will remain relatively stable.

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An important restaurant type within Fast Casual Restaurants is the Asian noodle specialty restaurants segment. Singapore has a long history of Asian noodle consumption due to its central positioning within Southeast Asia. Being both a financial hub and central foodie destination, Singapore embodies the noodle and spice culture from the rest of Southeast Asia such as Pho (rice noodles with chili flakes) from Vietnam, Laksa (spicy noodles) from Malaysia and Thai boat noodles (spicy rice noodles) from Thailand. While Asian noodles’ presence can be found in fine dining restaurants, casual eateries and even hawker centres, it is most associated as a meal that is convenient and flexible in catering to different taste preferences. These traits are important for the average employee in Singapore who work long hours and hence need a quick and efficient meal. The new generation of diners in Singapore are also receptive to new food trends and Asian noodles are easily customisable to fit personal preferences. Due to these factors, Asian noodles specialty restaurants are typically categorised as Fast Casual restaurants.

Table 20 Casual Restaurants Revenue in Singapore, (2016–2025F)



Source: Euromonitor Passport Data (< Consumer Food service — 2021 edition >)

3.2 Drivers in the Consumer Food Service Industry in Singapore

Demand for Convenience is a Key Driver Consumer Food Service in Singapore

Demand for convenience has been a major factor in shaping the consumer food service industry in Singapore between 2016 and 2020. There is a strong culture of dining at Fast Casual and Quick Service Restaurants due to the efficient preparation and casual nature of these restaurants. According to statistics by the Ministry of Manpower of Singapore, the average working hours of employees in Singapore were 44.0 hours per week (or 8.8 hours per day) in 2020, which contributed to local consumers’ preference for convenience in terms of meal options. There is also growing popularity among Casual Restaurants and street stalls/kiosks, where food preparation, ordering and payments are all relatively efficient. The trend for convenient casual meals has also benefited online food ordering. Food delivery platforms such as GrabFood, Deliveroo and Foodpanda offer consumers a wide variety of choices and the convenient of food deliveries. Between 2016 and 2020, Singapore’s food delivery and takeaway revenue proportion grew from 21.5% to 48.5% of the consumer food service industry, with a sharp jump of 21.6% in 2020 as a result of the COVID-19 effects.

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Consumer Food Service Industry Flourishes with Consumers’ Receptiveness to New Food Trends

The new generation of consumers are seeking experiential elements in their dining experience and place greater emphasis on dining experiences and pleasure. Singaporeans are among the most well-travelled in the world. According to the Department of Statistics Singapore, Singaporeans made about 10.7 million outbound departures in 2019 (1.5 million in 2020 due to COVID-19 travel restrictions). Through the travels, consumers have become exposed to other cultures and more open to experimenting with new cuisines and dining experiences. The consumer food service industry has flourished with consumers’ receptiveness to new food trends, with bubble tea and fried chicken being notable examples.

3.3 Challenges in the Consumer Food service Industry in Singapore

Restaurants Faces Labour Shortage

Consumer food service operators in Singapore have long faced the problem of labour shortage, due to local workers shunning the industry for better paying jobs. With the government’s tightening of restrictions on foreign employees in recent years, it has become even more difficult for restaurant operators to find staff. As announced in Budget 2019, the services sector’s dependency ratio ceiling — the proportion of foreigners a firm is allowed to hire — will be lowered from 40% to 38% in 2020, and then to 35% by 2021. The boom in the consumer food service industry in recent years also drove up demand for staff. Restaurant operators are looking at ways to address the workforce challenge. These include providing a more competitive salary and non-monetary benefits, tapping on technology for repetitive tasks, and revamping work processes. For example, the menu at Minor Food Singapore’s newly opened Western grill restaurant was crafted with “simpler” kitchen processes in mind, such that less experienced workers can fulfil the tasks.

High Rental Costs are a Contributing Factor to Low Profit Margins in the Industry

Consumer food service operators have grappled with low profit margins as a result of high operating costs. In addition to rising labour costs, rental costs account for a significant proportion of a restaurant’s operating costs. Rent and wages typically make up for more than half of a restaurant’s operating cost in Singapore. According to industry feedback, the profitability of restaurants was as low as 1.7% before the virus outbreak. Retail rent in 2020 declined due to lower demand spurred by higher vacancies, lower footfalls, social distancing measures and economic uncertainties caused by COVID-19. According to property consultants, Orchard and other city area retail rents fell by 7% to 8% in 2020 whereas suburban retail rents fell by about 3%, as city area retail spaces are more dependent on tourists and office workers.

3.4 Labour and Raw Material costs in Singapore

Labour costs of the consumer food service industry has been stable between 2016 and 2020, with the average weekly paid hours worked per employee in accommodation and food services from US\$30.8 to US\$30.0. During the same period, the index of food and non-alcoholic beverages prices have increased from 113.8 to 121.6.

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Table 21 Labour Cost in Singapore (2016–2020)

<u>In US\$</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>CAGR 2016–20</u>
Average Weekly Paid Hours Worked Per Employee in Accommodation and Food Services	30.8	31.0	30.5	30.7	30.0	-0.7%

Source: Singapore Department of Statistics (DOS)

Table 22 Raw Ingredients Costs in Singapore (2016 — 2020)

<u>Price Index (2010 = 100)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>CAGR 2016–20</u>
Index of Food and Non-Alcoholic Beverage Prices	113.8	115.1	116.2	118.1	121.6	1.7%
Index of Meat Prices	108.9	109.4	108.9	109.6	115.4	1.5%
Index of Fish and Seafood Prices	121.9	124.9	127.6	130.0	131.2	1.8%
Index of Vegetables Prices	115.4	117.0	116.4	119.3	124.8	2.0%
Index of Other Food Prices	111.9	113.1	114.6	115.6	117.1	1.1%

Source: Euromonitor Passport Data (<Economies and Consumers Annual Data, 2021 Edition>), sourced from Department of Statistics Singapore

3.5 Consumer Food Service Competitive Landscape in Singapore

Consumer Food Service Industry Remains Highly Competitive and Continues to see New Entrants

The consumer food service industry in Singapore is highly competitive and fragmented, with many consumer food service companies offering a huge variety of dining establishments and cuisine types. Supported by Singaporean’s strong food culture, local market players are keen to open new restaurant outlets where consumers are passionate about exploring new restaurants and cuisines. The total number of restaurants increased from 28,048 in 2016 to 28,471 in 2019, although this number has fallen to 27,704 restaurants in 2020. Within the Asian noodle specialty restaurants category, there are a variety of operator types. These include Japanese ramen restaurants and Chinese style noodle restaurants among other noodle cuisine types which speaks to the dynamic cultural influence found in Singapore. For example, a Japanese ramen noodle chain, has 22 restaurant outlets as of December 31, 2020 and a Chinese fishball based noodle chain operates 14 restaurant outlets as of December 31, 2020.

The top five restaurant companies by market share are all chain restaurants with established multinational brands. These top five companies accounted for a market share of 16.3% in 2020. Within the Casual Restaurants category, the market landscape is also highly fragmented with the top five companies accounting for 13.9% of the total Casual Restaurants revenue in 2020. The leading players are a mix of Asian cuisine restaurant groups and cafe chains.

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Table 23 Fast Casual Restaurants Competitive Landscape in Singapore, Top 5 (2020)

Market Share Rank*	Company	Background information	Listing Status	Market share (%)	Number of restaurants
1	Company A	A Western styled coffee house chain established in 1971	Listed on NASDAQ	7.3	134
2	Company B	A coffee house chain established in 1963	Private	4.7	57
3	Company C	A Japanese chain restaurant established in 1996	Private	3.4	24
4	Company D	A chain quick service restaurant established in 1983	Private	2.5	37
5	Company E	A western chain restaurant operator established in 2002	Private	2.4	23
	Others			79.7	1,965

*Note**: Market Share Rank is based on the revenue receipts from largest to smallest

Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

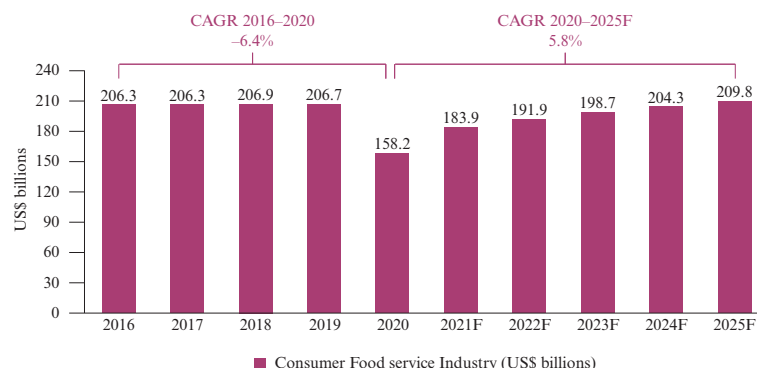
4. OVERVIEW OF THE FOOD SERVICE INDUSTRY IN JAPAN

Consumer Food Service Industry in Japan Recorded Slow Growth

Japan has a large and relatively mature consumer food service industry, supported by high income and sophisticated consumer preferences. The consumer food service industry offers an abundance of culinary choices and a large variety of restaurants. Many restaurants specialise in a single type of dish, such as sushi, battered and deep-fried food or specific types of noodles. The industry recorded marginal growth from 2016 to 2019 and a sharp 23.5% contraction in 2020, resulting in a CAGR of -6.4% for the 2016–2020 period. The slow growth was mainly due to the relative maturity of the industry and weak demand due to a declining and ageing population. In 2020, the industry has been hit by the COVID-19 with total revenue falling to US\$158.2 billion. However, government campaigns and stimulus measures are expected to mitigate the impact and help businesses recover. These measures include the “Go To Eat” Campaign launched on 1st October 2020 and US\$14.4 billion in subsidies to support restaurants hit by shorter trading hours during the pandemic as part of a US\$708 billion package announced in December 2020. Between 2020 and 2025, the consumer food service industry is expected to grow at a CAGR of 5.8%, reaching US\$209.8 billion of revenue in 2025 driven by renewed demand upon easing of COVID-19 restrictions.

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Table 24 Total Retail Revenue of Consumer Food service Industry in Japan (2016–2025F)

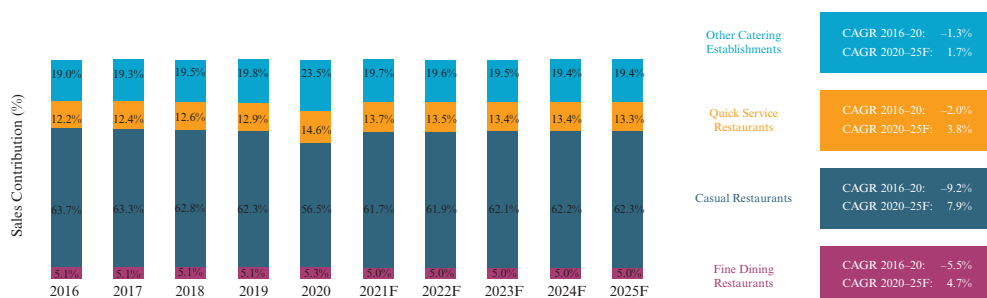


Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

Fast Casual Restaurants Dominate Japan’s Casual Restaurants Category

Casual Restaurants are the largest contributor to the consumer food service industry in Japan, accounting for 56.5% of total industry revenue in 2020, followed by restaurants in the Other Catering Establishments, which accounted for a revenue share of 23.5%. Convenience stores are the main contributor to consumer food service revenue for the Other Catering Establishments category, as all the major convenience store chains in Japan sell pre-prepared meals through their extensive network of outlets. The Fine Dining Restaurants category is the smallest category by revenue, accounting for just 5.3% of the industry. Fast Casual restaurants represent the largest contributor to the consumer food service in Japan largely due to the working culture in Japan, leading consumers to prioritise speed and convenience in meals. In 2020, Fast Casual Restaurants represents 40.2% of the total market and 71.1% of the Casual Restaurants category’s revenue. Coupled with the prevailing trend of consumers seeking for convenient and speedy meals, Fast Casual restaurants is expected to still see growth between 2020 to 2025 at a steady CAGR of 7.8%. Although Fast Casual Restaurants face strong competition from Quick Service Restaurants due to increasing demand for fast service and affordable meals, it is able to differentiate from Quick Service Restaurants by offering more unique menus and quality food. For example, some family restaurants offer specific fusion dishes which combine Japanese and Western elements to appeal to the Japanese palette.

Table 25 Restaurant Revenue in Japan split by sub-categories (2016–2025F)



Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

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4.1 *Opportunities in the Consumer Food Service Industry in Japan*

Long History of Noodle Consumption and an Affinity for Spicy Food and Mala Spice in Japan

Noodles have a long history in Japan with the first varieties introduced from China during the Nara period (710–794). Due to the long history of noodle consumption, it has become a staple food in Japan with the growing presence of individual udon, soba and ramen specialist shops (some with strong chili and pepper infused dishes), which also contribute to the fragmentation of the Asian noodle specialty restaurant landscape in Japan. The Asian noodle specialty restaurant category is inclusive of Chinese cuisine that specialise in noodles. Given the history of Asian noodles, Japanese consumers are accustomed to consuming noodles as a meal and also due to the variety of noodle offerings. Apart from noodles, spicy food has been popular in Japan and is deeply integrated into the local cuisine and culture. In the majority of ramen restaurants, the option of adding spice is commonplace. For example, there is a well-known ramen restaurant in Japan with over 50 years of experience which offers 10 levels of spiciness. Due to its overwhelming popularity, this ramen restaurant has also developed instant noodles which are available in convenient stores in Japan. There is also a well-known curry house ranked 20th in the overall consumer food service market in Japan in 2020 by sales value which also offers 10 levels of spiciness. Aside from restaurants, spicy culture has also been integrated into Japanese culture. Some social media influencers in Japan make online videos that feature spicy food, such as challenging the spiciest food available. In addition, Japan hosts an annual spicy food festival, namely the Gekikara Gourmet Festival, which focuses on spicy cuisine. In 2019, there were 54 restaurants that participated in this festival with Asian cuisines such as Thai, Korean, and Chinese cuisines. In addition, Japanese consumers are receptive to other Chinese influenced food and spices. In recent years, there has been a new trend of spice called Mala. The origin of this spice is from Sichuan, China and is used in various dishes but also widely known to be combined with soup noodles. The trend of incorporating this spice in popular foods is evident in Japan with a local convenience store giant introducing a mala famichiki (Fried chicken) and a local instant cup noodle producer introducing mala flavoured instant noodles to the Japan market.

Restaurants which Offer Speedy Services Gain Popularity Among Busy Consumers

Due to demographic and lifestyle changes, such as the increasing number of single households and families in which both parents work, and ageing population, consumers in Japan are shifting to convenient and time-saving options. As a result, restaurants that offer speedy service or prepare meals quickly, such as Quick Service Restaurants and Fast Casual Restaurants, are also increasingly favoured by consumers due to their ability to serve customers quickly. An example of this trend is the growing popularity of tachigui, otherwise known as standup noodle shops. Tachigui is particularly well received among office workers looking for a quick lunch. The process of tachigui involves customers choosing their food from picture menu buttons, which processes an order ticket that the customers then hand to the counter staff. A customer’s order will be served within three minutes or so, and most people can finish their meal in just a few minutes. Fast Casual Restaurants have benefitted from the demand for time-saving dining options, as they typically have smaller or simpler menus than Fine Dining and Premium Casual Restaurants which allows them to turn out dishes quickly. Ramen restaurants, which are in the Fast Casual Restaurants segment, are a common dining choice for those in a

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hurry but looking for a filling and affordable meal. As TamJai and SamGor are Fast Casual Restaurants, they can benefit from the shifting demand for convenient and speedy dining options.

COVID-19 boosts more consumers towards adopting food delivery and takeaway

Japan’s consumer food service industry is relatively mature. As a result, consumption pattern of dine-in, delivery and takeaway remains relatively stable between 2016 and 2019. With that said, Japan’s dine-in sales contribution is relatively lower than the other selected Asian markets (Hong Kong, Mainland China, and Singapore) as the demand for convenience and quick meals is deeply integrated into the typical working culture of Japan. Between 2016 and 2020, the revenue contribution of food takeaway and delivery grew from 29.9% to 38.9% of the consumer food service industry. This large growth was largely attributed by the catalytic effects of COVID-19.

Shift in Consumers’ Dietary Habits Promotes the Growth of a Greater Variety of Cuisines

While traditional Japanese diet is rich in fish and seafood, there has been a shift in consumers’ dietary habits towards meat-based dishes, driven by Westernisation of the Japanese diet and increasing consumption of ready-to-eat meals, which often include meat dishes. Within meat, pork is generally consumed more often than beef, due to its more affordable prices for daily consumption. The overall increasing acceptance of meat-based dishes is expected to promote a greater variety of cuisines and dishes beyond traditional Japanese cuisines. In particular, Chinese cuisines, which feature chicken and pork extensively, will also benefit from this trend as consumers consume more meat-based dishes.

4.2 Challenges in the Consumer Food service Industry in Japan

Labour Shortage is a Key Challenge for Restaurants

Japan’s shrinking and ageing population has contributed to labour shortage in the consumer food service industry. According to a 2019 survey by two business associations (the Japan Chamber of Commerce and Industry and the Tokyo Chamber of Commerce and Industry), the hotel and restaurant industry faced the most severe labour shortage among the industries covered by the survey, with 81.8% of companies reporting that they experienced a shortage of staff, a 2.7-point rise over the 2018 survey results. Many restaurant chains have turned to automating tasks using cooking robots and self-serving registers, as well as offering incentives to employees to keep them, such as cutting working hours and giving employees more holidays. Major restaurant chains in the Chubu region were reportedly hiring an increasing number of foreign fresh graduates who have just graduated from universities in Japan in 2019 to alleviate the problem of local manpower shortage.

Eating at Home Trend Poses a Threat to Consumer Food Service Industry

Restaurants in Japan have been impacted by the consumer trend towards eating at home, which has been boosted by the growing range of packaged ready meals options provided by convenience stores. The pandemic in 2020 has magnified the trend of consumers switching from dining out to cooking at home, as people stay home to minimise infection risks. Japan’s ageing demographics also means that there is a growing

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number of older consumers who prefer eating in the comfort of their homes. Furthermore, with the ongoing economic uncertainties, many consumers have become more cautious with spending, and therefore eating out less frequently or opting for less expensive restaurants. As a result of this phenomenon, the “Go To Eat” Campaign was launched in October 2020 by the Japanese government to boost demand in the consumer food service sector. This campaign offered discount vouchers and point rewards based on booking select restaurants online.

4.3 Labour and Raw Material costs in Japan

Labour costs of the consumer food service industry has been stable between 2016 and 2019, with the average monthly cash earnings per regular employee in accommodation, eating and drinking services fluctuating between US\$1,186.2 and US\$1,171.5. The index of food and non-alcoholic beverages prices have also remained stable, ranging from 108.3 to 111.3 between 2016 to 2020.

Table 26 Labour Cost in Japan (2016–2020)

In US\$	2016	2017	2018	2019	2020	CAGR 2016–20
Average Monthly Cash Earnings per Regular Employee in Accommodation, Eating and Drinking services	1,186.2	1,161.9	1,182.2	1,171.5	N/A*	N/A

Source: Statistics Bureau of Japan

* 2020 data has not been published at the time of research

Table 27 Raw Ingredients Costs in Japan (2016–2020)

Price Index (2010 = 100)	2016	2017	2018	2019	2020	CAGR 2016–20
Index of Food and Non-Alcoholic Beverage Prices	108.3	109.1	110.6	110.6	111.3	0.7%
Index of Meat Prices	113.3	114.9	115.2	116.1	116.8	0.8%
Index of Fish and Seafood Prices	118.0	124.2	128.1	129.8	132.5	2.9%
Index of Vegetables Prices	109.4	107.3	112.1	106.5	106.4	-0.7%
Index of Other Food Prices	102.2	102.9	103.1	102.9	102.9	0.2%

Source: Euromonitor Passport Data (< Economies and Consumers Annual Data, 2021 Edition >), sourced from national statistics

4.4 Consumer Food service Competitive Landscape in Japan

Consumer Food Service Industry is Mature With Local Players Taking up Large Market Shares

The consumer food service industry is relatively mature and dominated by the local players. The top five players have a combined market share of 19.2% in 2020. The total number of restaurants decreased from 730,677 restaurants in 2016 to 669,627 restaurants in 2020 due to the impact of COVID-19 pandemic. Contrasting with the overall consumer

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food service segment, the Fast Casual Restaurants segment is highly fragmented with the top five players accounting for just 10.0% of the segment’s total revenue in 2020. Within the Casual Restaurants segment there are a number of renowned Asian noodle specialty restaurants which contribute to the growth of the overall segment itself. While a number of Asian noodle specialty restaurants are Japanese style noodle based such as a renowned udon chain restaurant, which had 473 outlets in 2020, the presence of Chinese styled noodles are growing, for example, there is a chained noodle restaurant operator which specialises in Lanzhou style beef noodle soup.

Table 28 Fast Casual Restaurants Competitive Landscape in Japan, Top 5 (2020)

Market Share Rank*	Company	Background Information	Listing Status	Market share (%)	Number of restaurants
1	Company A	A sushi chain restaurant established in 1984	Private	2.5	559
2	Company B	A Western styled coffee house chain established in 1971	Listed on NASDAQ	2.2	1,618
3	Company C	A casual and quick service restaurant operator established in 1962	Listed on the Tokyo Stock Exchange	2.2	1,641
4	Company D	A Chinese restaurant operator established in 1967	Listed on the Tokyo Stock Exchange	1.6	733
5	Company E	A sushi chain restaurant established in 1995	Listed on the Tokyo Stock Exchange	1.5	467
	Others			90.0	335,663

Note:* Market Share Rank is based on the revenue receipts from largest to smallest

Source: Euromonitor Passport Data (<Consumer Food service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

5. OVERVIEW OF THE FOOD SERVICE INDUSTRY IN AUSTRALIA

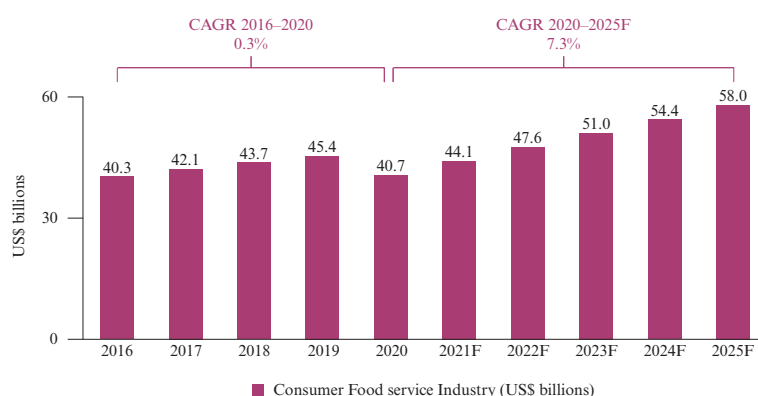
Consumer Food Service Industry in Australia Records Healthy Growth

Australia has a vibrant consumer food service industry, as dining out is firmly embedded in the national culture. The industry records healthy growth from 2016 to 2019, which was mainly driven by the domestic and tourist consumption. Consumers have been dining out more often, thanks to rising income and lifestyle factors, such as demand for convenience and the desire to experience gourmet and international cuisines. Between 2016 and 2019, the dine-in sales contribution represented approximately 67% of the consumer food service industry with minimal fluctuation during the period. The industry was significantly impacted by COVID-19 and lockdown restrictions, with a decline of 10.3% in revenue in 2020 to reach US\$40.7 billion from US\$45.4 billion in 2019. The industry appears to be on path to recover as restrictions were gradually lifted since May 2020. According to data from the Australia Bureau of Statistics, revenue from cafes, restaurants and takeaway services reached the lowest level since the pandemic began in April 2020 and has been climbing since May 2020. By March 2021, the monthly revenue from cafes, restaurants and takeaway services has already exceeded the pre-pandemic level in February 2020. This recovery was partly due to a shift of consumers ordering food through delivery and takeaway platforms during the height of the pandemic. Between 2019 to 2020, food delivery and takeaway’s revenue contribution grew from 28.3% to

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41.1% of the consumer food service industry. Between 2020 and 2025, the consumer food service industry is expected to maintain strong growth at a CAGR of 7.3%, reaching US\$58.0 billion of revenue in 2025.

Table 29 Total Retail Revenue of Consumer Food service Industry in Australia (2016–2025F)

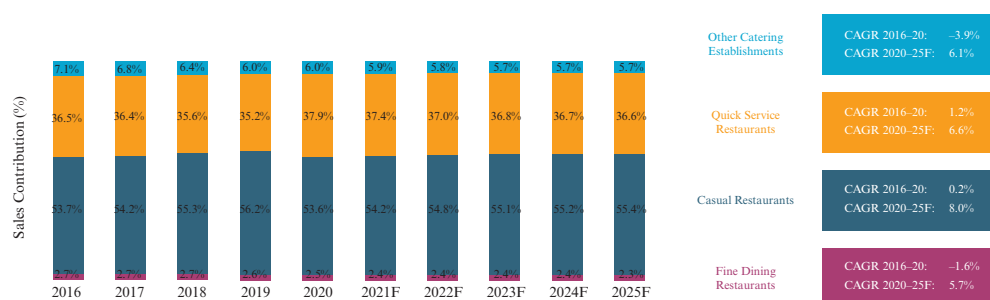


Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

Fast Casual Restaurants Dominate the Casual Restaurants Category while Asian Cuisines Gain Popularity within Casual Restaurants

Casual Restaurants are the largest contributor to the consumer food service industry in Australia, accounting for 53.6% of total industry revenue in 2020, followed by Quick Service Restaurants, which contributed 37.9% of total industry revenue. On the other hand, Other Catering Establishments and Fine Dining Restaurants maintained a lower contribution of 6.0% and 2.5% of the total industry revenue respectively in the same period. Casual Restaurants in Australia are largely dominated by Fast Casual Restaurants, accounting for 72.9% of its revenue in 2020. Fast Casual Restaurants are favoured by Australian consumers due to their relaxed dining environment, speedy service and a decent quality of food. While Asian cuisine inclusive of Chinese cuisine within the Casual segment in Australia is relatively small, representing US\$1.4 billion in 2020, it has seen a healthy rate of 3.8% CAGR from 2016 to 2019. This shows growing interest and appetite for Asian cuisine in Australia.

Table 30 Restaurant Revenue in Australia split by sub-categories (2016–2025F)



Source: Euromonitor Passport Data (< Consumer Food Service — 2021 edition >) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

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5.1 *Opportunities in the Consumer Food Service Industry in Australia*

Growing Asian Migrant Population Boosts Awareness and Popularity Asian Cuisine

Australia’s changing demographics, with immigrants from Asian countries and their descendants making up an increasing proportion of the population in recent years, has boosted awareness and popularity of Asian cuisines, with Chinese cuisine becoming one of the most popular cuisines in the country. Australia is a key immigration destination by Chinese and other Asian nationalities to settle down in. According to data from the Australian Bureau of Statistics, Australia is home to more than 1.2 million people of Chinese ancestry in the 2016 Census. Of these, two in five (around 41.0%) were born in China. The number of Chinese-born people living in Australia has nearly doubled between 2010 and 2020, reaching 650,640 (2.5% of Australia’s total population) in 2020. Migrants from Mainland China have been the second largest group of overseas-born migrants in Australia, after migrants from England since 2017. In June 2020, the Australian Bureau of Statistics further revealed that China, Philippines, Vietnam, Malaysia and Sri Lanka were among the top 10 countries of birth for its resident population, which combined represented 6.1% of the total overseas-born resident in the country. The enlarging on the Australian Asian community has influenced local culture and in particular Asian cuisine has been significant, spurring large Asian towns (China town, Korea town etc) and more Chinese restaurants in key cities throughout Australia such as Sydney, Melbourne and Adelaide. The influx of Chinese migrants from various regions in China has resulted in more restaurants offering specific Chinese cuisines offered at restaurants. Consumers have also become more discerning with their choice of Chinese dishes, as they increasingly look for specific regional cuisine from China instead of generic “Chinese” food.

Unlike the other Asian markets, Australia’s noodle culture was introduced by the immigrants from Asia. As with most Asian culture, noodle-based restaurants tend to be quick, reasonably priced and convenient, hence leading to similar nature for the Asian noodle market in Australia. As a whole, the popularity of noodles has been continuously growing. In 2020, Australia’s instant noodle market size reached US\$219.2 million. According to Google Trend, the google search index for “Laksa”, “Pho” and “Ramen” has also grown in Australia, from 19.5, 36.2 and 31.0 in 2015 to 26.4, 49.8 and 68.2 in 2020, respectively. These figures help understand the growing interest of Asian noodles within the local populous. In fact, there are already established Asian noodle restaurants such as a Southeast Asian noodle restaurant with 80 outlets in 2020 and a Chinese Gansu beef noodles restaurant with nine outlets. Furthermore, the globalisation mega trend driven by increasing trade, more convenient transportation and digitisation help showcase Asian culture even in areas with low Asian population penetration.

Fast Casual Restaurants Enjoy Strong Growth as they Offer a Combination of New Concepts, Quality Food and a Relaxed Dining Setting

Fast Casual Restaurants is one of the fastest growing restaurant categories in Australia, representing a CAGR of 4.7% between 2016 and 2020. This can be attributed to millennial consumers’ demand for innovative dining concepts, quality food at reasonable prices, and a more casual lifestyle. In today’s digital age, consumers are constantly exposed to the latest food trends, new dining concepts and cuisines through internet and social media. The fast changing world of Fast Casual Restaurants appeals to

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consumers who are always looking for new experiences. In terms of dining ambience, there has been a shift towards a more casual atmosphere such as dressing in a more casual way, sharing dishes and socialising over meals, which makes them feel relaxed and comfortable.

Increasing Focus on Healthy Eating Drives Food Trends

Healthy eating is a growing trend in Australia and it has driven a number of food trends, concepts and diets, such as veganism, farm-to-plate and mindful eating. Consumers are also becoming more health conscious due to growing coverage of health and wellness topics in one’s daily life. The increasing focus on healthy eating has contributed to the growing popularity of Asian cuisines including Chinese and Asian noodles, as these cuisines and food types are generally perceived to be healthy due to the use of a balanced mix of food groups (e.g. vegetables, fish and seafood, plant-based protein) and the use of fresh ingredients. As consumers start to move away from less healthy meal options, Asian noodles are viewed as a more nutritious alternative, especially among Australia’s growing Asian population. Restaurants that have a more diversified and customisable menu have been seen to be popular as local consumers can better control over their preferred diet and health needs. In addition, TamJai and SamGor’s menus have a customizable list of toppings that reflects a nutritious range of ingredients. These include lean protein such as chicken and fish fillet to vegetarian options such as bean curd sheets, lettuce and mushroom. Apart from balanced topping choices, TamJai and SamGor also offer a vegetarian clear soup base for consumers that follow a meat-free diet. The dishes at TamJai and SamGor are all cooked to order which ensures a freshly prepared meal as opposed to pre-made meals which may have a lower nutritional value given the pro-longed time until it is consumed. As such, TamJai and SamGor have a competitive edge in capturing the demand arising from the growing trend of healthy eating in Australia.

5.2 Challenges in the Consumer Food service Industry in Australia

Australia Seeks Continued Labour Shortage for Consumer Food Service Sector

Labour shortage has been a persistent problem for the consumer food service industry in Australia due to a combination of a shortage of international workers and negative perception of the jobs in the industry. The problem has been exacerbated by the pandemic due to restricted movements of international workers. In Victoria state, shortage of staff in the hospitality industry has been attributed to a reduced workforce as backpackers and skilled visa holders were told early in the pandemic to return home and denied access to JobSeeker or JobKeeper payments. The shortage extended from unskilled roles such as dishwashers through to head chefs, has meant some restaurants were unable to reopen or were closing for days just to give overworked staff a break. Industry figures had estimated the demand for staff, particularly chefs and middle management, could drive up some wages by as much as 20%. A nationwide survey of members from the Restaurant and Catering Industry Association in 2020 showed chefs were the most difficult positions to fill.

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5.3 Labour and Raw Material costs in Australia

Labour costs in Australia has been steadily increasing between 2016 and 2020, with the average weekly earnings of adults increasing from US\$800.2 to US\$880.5. The index of food and non-alcoholic beverages prices have also increased from 108.2 to 115.6 between 2016 to 2020.

Table 31 Labour Cost in Australia (2016–2020)

In US\$	2016	2017	2018	2019	2020	CAGR 2016–20
Average Weekly Earnings	800.2	819.5	842.7	864.5	880.5	2.4%

Source: Australia Bureau of Statistics

Table 32 Raw Ingredients Costs in Australia (2016–2020)

Price Index (2010 = 100)	2016	2017	2018	2019	2020	CAGR 2016–20
Index of Food and Non-Alcoholic						
Beverage Prices	108.2	108.2	108.9	112.0	115.6	1.7%
Index of Meat Prices	115.7	116.0	117.5	124.4	129.5	2.9%
Index of Fish and Seafood Prices	110.5	111.7	114.1	116.3	119.2	1.9%
Index of Vegetables Prices	121.7	124.5	121.3	126.5	133.9	2.4%
Index of Other Food Prices	<u>103.0</u>	<u>101.7</u>	<u>101.0</u>	<u>100.9</u>	<u>104.6</u>	<u>0.4%</u>

Source: Euromonitor Passport Data (<Economies and Consumers Annual Data, 2021 Edition>), sourced from national statistics

5.4 Consumer Food service Competitive Landscape in Australia

Multinational Chain Brands Lead Australia’s Consumer Foodservice Industry

The consumer food service industry in Australia is fragmented, having a strong presence of local and independent restaurants. In 2020, the top five companies accounted for 13.6% of the total consumer food service revenue. Within the industry, the Casual Restaurants segment which makes up the largest category in revenue is even more fragmented with the top five players accounting for just 2.5% of the segment’s total revenue in 2020. The leading Casual Restaurant players are predominantly café operators fuelled by strong demand due to the growing preference for a more relaxed and flexible dining experience.

The industry has seen a slight drop of Casual Restaurants from 29,512 restaurants in 2016 to 29,414 restaurants in 2020 due to the COVID-19 pandemic. However, in light of the pandemic, the number of Fast Casual Restaurants still grew from 21,999 restaurants in 2016 to 23,270 restaurants in 2020. This is marked by the decline of Premium Casual Restaurants as consumers gravitate towards a more relaxed and convenient lifestyle. Within the Fast Casual Restaurant segment which would also include Asian noodle specialty restaurants, the number of outlets has increased. For example, a Southeast Asian noodle specialty restaurant, increased their number of restaurants from 73 in 2019 to 80 in 2020 despite the pandemic. Asian noodle specialty restaurants mentioned here would also be inclusive of Chinese cuisine restaurants that specialise in noodles.

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Table 33 Fast Casual Restaurants Competitive Landscape in Australia, Top 5 (2020)

Market Share Rank*	Company	Background Information	Listing Status	Market share (%)	Number of restaurants
1	Company A	A coffeehouse-styled café chain established in 1989	Private	1.7	296
2	Company B	A casual restaurant operator established in 1989	Private	0.7	31
3	Company C	A coffee house chain established in 1989	Private	0.3	103
4	Company D	A Western styled coffee house chain established in 1971	Listed on NASDAQ	0.3	51
5	Company E	A café chain restaurant established in 2006	Private	0.3	49
	Others			96.7	22,740

Note: Market Share Rank is based on the revenue receipts from largest to smallest*

Source: Euromonitor Passport Data (<Consumer Food Service — 2021 edition>) and estimates from desk research and trade interviews with leading restaurant operators and relevant trade association

SOURCES OF INFORMATION

We commissioned the Euromonitor Report from Euromonitor to conduct an analysis of, and to report on, the consumer food service industry in Hong Kong, Mainland China, Singapore, Japan and Australia. A total fee of US\$70,500 was paid to Euromonitor for the preparation of the Euromonitor Report. Established in 1972, Euromonitor is the world leader in strategy research for both consumer and industrial markets. The Euromonitor Report has been compiled after thorough and diligent research conducted by Euromonitor’s Hong Kong office. The market research process was undertaken through a top-down central research and bottom up intelligence to present a comprehensive and accurate picture of the consumer food service industry in the mentioned markets. Euromonitor’s detailed primary research involved: (i) a secondary research which involved the review of Euromonitor’s proprietary database, published sources from government and regulatory statistics and independent research reports; (ii) a primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross-check the consistency of data and research estimates; (iii) the Euromonitor Survey conducted in May 2021, to provide key findings on “Consumer preference of casual dining in Hong Kong”, (iv) projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers and (v) review and cross-checks of all sources and independent analysis. Euromonitor has utilised both primary and secondary sources to validate all data and information collected. The Euromonitor Passport Data is compiled using a mixture of desk research, store checks, trade surveys and company analysis through which data validation is reviewed at a country, regional and global level. Comparative checks are carried out on per capita consumption and spending levels, growth rates, patterns of category and subcategory breakdowns and distribution of sales by channel. Top-down estimates are reviewed against bottom-up regional and global market and company sales totals.