

Taiwan Fair Trade Commission Block the Combination between Uni-President Enterprises Corp. and Wei Lih Food Industrial Co., Ltd.

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On 10 September 2008, Taiwan Fair Trade Commission ("FTC") decided to block the proposed acquisition of more than one-third of the shares in Wei Lih Food Industrial Co., Ltd. ("Wei Lih") by Cayman President Holdings Limited ("Cayman President"), a wholly-owned subsidiary of Uni-President Enterprises Corp.'s ("Uni-President").

Uni-President and Wei Lih are both well-known companies of instant noodles products. In 2007, Uni-President acquired 31.84% of the shares in Wei Lih through Cayman President at the price of around NT\$891 million. As the acquisition involved less than one-third of the total shares in Wei Lih, no pre-combination filing was required. In 2008, Uni-President has decided to acquire another 17.91% shares in Wei Lih through Cayman President, which will increase its shareholding in Wei Lih to 49.75% and hence trigger the merger filing requirement.

According to relevant news report, the main purpose of the acquisition is for Uni-President and Wei Lih to exchange their operational experience in the instant noodle industry so as to develop the overseas market. The FTC held a public hearing to invite the representatives from Ministry of Economic Affairs, the Consumer Protection Commission, the consumer protection groups, other major players in the instant noodles industry, upstream material suppliers, downstream channel providers and scholars and experts to provide comments on the proposed acquisition.

The FTC decided to block the proposed acquisition on the grounds that (i) since Uni-President and Wei Lih are top two manufacturers in the instant noodle industry (representing around 70% market share), the proposed acquisition would substantially reduce the competition; (ii) the combined entity would have the power to unilaterally raise the price of goods, and consumers would have less bargaining power; and (iii) since the channels are important for the marketing of the instant noodles products, and the brand image is critical for the consumers' choice, the proposed acquisition would create entry barriers for new comers and potential competitors.

As the overall economic benefit will not outweigh the disadvantages arising from the proposed acquisition, the FTC finally decided to disallow the proposed acquisition in accordance with the Fair Trade Act.

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