



## **MEDIA RELEASE**

12 May 2017

### **CCS APPROVES MERGER INVOLVING SILICON WAFER AND SEMICONDUCTOR MEMORY MANUFACTURERS**

1. The Competition Commission of Singapore (“CCS”) has cleared the proposed acquisition by SK Holdings Co. Ltd. (“SK Holdings”) (the “Applicant”) of 51% of LG Siltron Inc. (“LG Siltron”) (collectively “the Parties”) (the “Proposed Transaction”). The Proposed Transaction, if carried into effect, will not lead to a substantial lessening of competition in the supply of silicon wafers,<sup>1</sup> supply of Dynamic Random Access Memory (DRAMs)<sup>2</sup> and supply of NAND flash memory<sup>3</sup> within Singapore (the “Relevant Markets”).
2. SK Holdings is a holding company of the SK group and does not have any direct business interests in the semiconductor industry. Within the SK group, a company, SK Hynix Inc. (“SK Hynix”), is in the business of the manufacture and sale of semiconductors, in particular DRAMs and NAND flash memory products. SK Hynix has a sales subsidiary, SK Hynix Asia Pte. Ltd., located in Singapore, which conducts marketing and sales activities and supports multinational enterprise customers in Asia.
3. LG Siltron’s principal business is in manufacturing and selling of silicon wafers. It is not involved in the manufacture or sale of DRAMs and NAND flash memory products. LG Siltron does not have an office or facilities in Singapore but supplies silicon wafers to customers in Singapore through its other Asian offices.
4. There are no horizontal overlapping goods or services sold by the Parties globally, including within Singapore. CCS notes that as SK Holdings and SK Hynix are both companies within the SK group, there may exist vertical links between them. CCS consequently focused its assessment on the upstream supply of silicon wafers, and downstream supply of DRAMs and NAND flash memory products that may be vertically integrated as a result of the Proposed Transaction.
5. After reviewing the Applicant’s submissions and feedback from customers and competitors following a public consultation, CCS concluded that the Proposed

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<sup>1</sup> Silicon wafers are a raw material used in the manufacture of semiconductor memory products, which include DRAM and NAND flash. These are used as components in goods such as personal computers and smart phone devices.

<sup>2</sup> DRAM products are semiconductors used for storage of binary data used mainly in computer hardware.

<sup>3</sup> NAND flash products are semiconductors which stores data in a large array of cells where each cell holds one or more bits of data.

Transaction is unlikely to lead to a substantial lessening of competition within the Relevant Markets in Singapore for the reasons stated below:

- a. In relation to the supply of silicon wafers, customers of silicon wafers generally purchase from multiple sources and are able to switch between silicon wafer suppliers. Even in times of tight supply, customers of silicon wafers are generally still able to negotiate with suppliers to obtain their required amounts of silicon wafers.
  - b. In relation to the supply of DRAMs and NAND flash semiconductor memory products customers and competitors provided feedback that they have no concerns with the Proposed Transaction or that the Proposed Transaction would have limited impact on their respective businesses; and
  - c. With regard to vertical effects of the merger, should LG Siltron divert most or all of its supply of silicon wafers to SK Hynix, CCS notes that a reduction or cessation of supply from LG Siltron may have limited impact on silicon wafer customers, and that in the immediate future, this is likely to be offset by a redistribution of supplies by other silicon wafer suppliers to other customers. Alternatively, should SK Hynix divert all or most its demand of silicon wafers to LG Siltron, the foreclosure impact on silicon wafer suppliers may also be limited, as SK Hynix's demand represents a limited share of the silicon wafer market.
6. The Proposed Transaction has also been notified to competition authorities in Japan<sup>4</sup>, Korea, Taiwan and China.
  7. More information about the Proposed Transaction, including the Grounds of Decision for the clearance, will be available in due course under "Public Register – Mergers & Acquisitions" on CCS's website - <http://www.ccs.gov.sg/content/ccs/en/Public-Register-and-Consultation/Public-Register/Mergers-and-Acquisitions.html>.

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<sup>4</sup> The Japan Fair Trade Commission has completed its review and announced that it would not oppose the Proposed Transaction. As at the date of this media release, the Proposed Transaction is still under review in Korea, Taiwan and China.

## **About The Competition Commission of Singapore (CCS)**

CCS is a statutory board established under the Competition Act (Chapter 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties.

## **About the Section 54 Prohibition under the Competition Act & Merger Procedures**

Section 54 of the Act prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition in Singapore.

CCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless:

- The merged entity has/will have a market share of 40% or more; or
- The merged entity has/will have a market share of between 20% to 40% and the post-merger combined market share of the three largest firms is 70% or more

Merging entities are not required to notify CCS of their merger but they should conduct a self-assessment to ascertain if a notification to CCS is necessary. If they are concerned that the merger has infringed, or is likely to infringe, the Act, they should notify their merger to CCS. In such cases, CCS will assess the effect of the merger on competition and decide if the merger has resulted, or is likely to result, in substantial lessening of competition in Singapore. CCS will endeavour to issue a decision within 30 -120 working days, depending on case complexity.

In the event that CCS makes an unfavourable decision, CCS has the power to issue directions to remedy, mitigate or eliminate the adverse effects arising from the merger situation.

For more information, please visit [www.ccs.gov.sg](http://www.ccs.gov.sg)

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