

In The Large Merger Between:

Zelpy 4547 (Pty) Ltd

Acquiring Firm

And

Chemical Specialities (Pty) Ltd and others

Target Firm

Reasons for Decision

Approval

1. On 8 March 2006 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Zelpy 4547(Pty) Ltd and Chemical Specialities (Pty) Ltd and others. The reasons for this decision follow.

The transaction

2. The parties to the transaction are Zelpy 4547 (Pty) Ltd and Chemical Specialities (Pty) Ltd (“Chemspec”).
3. The shareholding in Zelpy is held as follows:
 - 3.1. Tandem Capital (Pty) Ltd (“Tandem”) - 25.1%;¹
 - 3.2. Corvest 6 (Pty) Ltd (“Corvest”) - 44,9%;²
 - 3.3. Management consortium – 30%.
4. The shares in Chemspec shares are held by WGPM Dykins, PA Dykins and TP Dykins. WGPM Dykins also owns Chemical Specialities Properties (Pty) Ltd, Rosasco Investments (Pty) Ltd and TCS Properties (Pty) Ltd. TP Dykins also owns Aylesford Trading (Pty) Ltd. Chemspec owns 100% of DIY City (Pty) Ltd, Bangora investments (Pty) Ltd, Coral Lagoon Investments 22 (Pty) Ltd, G & C Shelf 14 (Pty) Ltd, Morph Investments (Pty) Ltd, P & A Warehouse (Eastern Cape) (Pty) Ltd, Swiftprops (Pty) Ltd and Vita-Bon (Pty) Ltd.
5. According to the parties, the transaction involves the acquisition of:
 - 5.1. The businesses conducted by Chemspec and DIY City;

¹ 51,3% of Tandem’s share capital is held by The Participants Employee Trust. 40,2% is held by Corvest 100 (Pty) Ltd, which is part of Corvest Group. 8,5% is held by Safika Holdings (Pty) Ltd.

² Corvest is a subsidiary of FirstRand Limited.

- 5.2. The shares and claims that Chemspec has in Chemical Specialities (Botswana) (Pty) Ltd, Chemspec Coatings (Pty) Ltd, Chemical Specialities (Namibia) (Pty) Ltd and Paint and Abrasives (EA) Limited; and
- 5.3. The properties owned by:
 - 5.3.1. Aylesford Trading (Pty) Ltd;
 - 5.3.2. Chemical Specialities Properties (Pty) Ltd;
 - 5.3.3. TCS Properties (Pty) Ltd;
 - 5.3.4. Rossco Investments (Pty) Ltd;
 - 5.3.5. Bangora investments (Pty) Ltd;
 - 5.3.6. Coral Lagoon Investments 22 (Pty) Ltd;
 - 5.3.7. G & C Shelf 14 (Pty) Ltd;
 - 5.3.8. Morph Investments (Pty) Ltd;
 - 5.3.9. P & A Warehouse (Eastern Cape) (Pty) Ltd;
 - 5.3.10. Swiftprops (Pty) Ltd; and
 - 5.3.11. Vita-Bon (Pty) Ltd.
6. According to the parties, the transaction will facilitate a management buy-out and will also result in the introduction of a BEE partner in the Chemspec and DIY City businesses.

The merging parties' activities

7. Zelpy is a newly formed company and does not provide any products and/or services. Tandem is an investment company and Corvest is involved in the provision of finance and other assistance to potential investors.
8. Chemspec manufactures decorative, industrial and automotive refinish coatings and solvents. DIY City primarily trades as a retail store in the Eastern Cape dealing *inter alia* in products it acquires from Chemspec on an arm's length basis. The properties being acquired by Zelpy are currently being used by Chemspec and DIY City in the operation of the businesses.

Impact on competition

9. There are no horizontal overlaps in the activities of the parties. There are no vertical concerns, which arise from the transaction.

Conclusion

10. We accordingly approve the transaction for the above reasons.

D Lewis

25 April 2006
Date

Concurring: U Bhoola and M Mokuena

For the merging parties: C Charter (Cliffe Dekker).

For the Commission: L Lamola and S Nunkoo (Mergers and Acquisitions).