

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 41/LM/Apr06

In the matter between:

Sun International (South Africa) Limited

Acquiring Firm

And

Real Africa Holdings Limited

Target Firm

Panel: D Lewis (Presiding Member), N Manoim (Tribunal Member) and Y Carrim (Tribunal Member)

Heard on: 24 July 2006

Order issued on: 24 July 2006

Reasons issued on: 17 August 2006

Reasons for Decision

APPROVAL

[1] On 24 July 2006, the Tribunal approved the merger between Sun International (South Africa) Limited and Real Africa Holdings Limited. The reasons for approval follow.

THE TRANSACTION

[2] The acquiring firm is Sun International (South Africa) Limited ("Sun International"). Sun International is controlled by Sun International Limited, a company listed on the JSE and is part of the Sun International Group. The Sun International Group holds interests in the leisure, resort and casino industries. It owns and operates hotels, resorts and casinos throughout South Africa and internationally.

- [3] The target firm is Real Africa Holdings (“Real Africa”), an investment holding company listed on the JSE.¹ Real Africa has a diverse portfolio of investments. Through its 66.2% interest in Afrisun Leisure Investments (Pty) Ltd, Real Africa holds shares in several subsidiaries of the Sun International Group (viz. its casino operating and casino management companies).² Real Africa’s current interests in these subsidiaries is tabulated below:

Sun International Group subsidiary		Real Africa	
		Economic Interest	Voting share Capital
Casino Operation	Afrisun Gauteng	21 %	25 %
	Afrisun KZN	11.5 %	15 %
	Emfuleni Resorts	2.3 %	15 %
	Sunwest International	14.1 %	17 %
Casino Management	National Casino Resort Manco	21.8 %	33 %
	Gauteng Casino Resort Manco	30 %	30 %

- [4] In terms of the proposed transaction, Sun International intends acquiring the entire issued share capital of Real Africa. The mechanism for the acquisition comprises an offer to all the shareholders in terms of section 440 of the Companies Act 61 of 1973. The effect of the transaction is that Sun International will acquire Real Africa’s minority stake in all of the subsidiaries of the Sun International Group where Real Africa has a share. As a result, Real Africa will cease to be a shareholder in these subsidiaries.
- [5] By acquiring Real Africa’s minority interests in its operations, the Sun International Group seeks to create a single listed point of entry into the group whilst simultaneously increasing the group’s exposure to its own existing core gaming, hotel and resort activities.³

¹ Real Africa’s major shareholders are Coronation Capital Ltd (17.92%), Engineering Industrial Pension Fund (6.28%), Merrill Lynch International (5.75%) and Momentum Group Ltd (5.14%).

² Real Africa also has interests in information technology companies, fishing, cold storage and auxiliary services and healthcare. A list of these subsidiaries can be found on page 481-482 of the Commission’s record.

³ For more detail regarding the rationale for the transaction see pages 55-56 of the Commission’s record.

IMPACT ON COMPETITION

[6] The only overlap in the parties' activities lies in the minority shareholdings, which Real Africa holds in the six Sun International Group subsidiary companies, which minority shares will be acquired through this transaction. According to the Commission, the transaction simply results in a transfer of additional shares to the Sun International group of certain of its subsidiaries, over which it already exercises some measure of control. The form of control which the group currently exercises over the relevant subsidiaries is shown below:

Subsidiary	Current Interest (shareholding)	Form of Control currently exercised by the Sun International Group
Afrisun Gauteng	60% voting share capital and 70% effective economic interest	Sole control
Afrisun KZN	44% voting share capital and 56.1% effective economic interest	Management responsibility + Negative control by virtue of minority protections
Emfuleni Resorts	49% voting share capital and 70.2% effective economic interest	Management responsibility + Negative control by virtue of minority protections
Sunwest International	49% voting share capital and 58.8% effective economic interest	Management responsibility + Negative control by virtue of minority protections
National Casino Resort Manco	Sun International Limited holds 60% voting capital of National Casino Resort Manco <u>Holdings</u> which holds 50% of National Manco Casino Resort Manco	Voting control
Gauteng Casino Resort Manco	Sun International Limited holds 60% voting capital of National Casino Resort Manco <u>Holdings</u> which holds 50% of Gauteng Casino Resort Manco	Voting control

[7] From the above, it is clear that post merger, the Sun International Group will not acquire any additional control over Afrisun Gauteng, National Casino Resort Manco and Gauteng Casino Resort Manco. It *will* acquire *sole positive* control over each of Afrisun KZN, Emfuleni Resorts and Sunwest International as it will be able to vote the majority of votes that may be cast at

general meetings of these companies. In light of this, we agree that the acquisition does not result in any aggregation of market share or increased concentration in South Africa.

- [8] Furthermore, with regard to Real Africa's non-gaming interests, the Sun International Group has indicated that it is its intention to dispose of all these non-core interests after completion of the proposed transaction.

CONCLUSION

- [9] Based on the above, we agree with the Commission that the transaction is unlikely to substantially prevent or lessen competition in any of the markets that the merging parties are active in. There are no public interest issues and we accordingly approve this transaction without conditions.

D Lewis

Y Carrim and N Manoim concurring

Tribunal Researcher: M Murugan-Modise

For the merging parties: Advocate A Cockrell instructed by Edward Nathan for Sun International (South Africa) Limited and H Irvine (Deneys Reitz) for Real Africa Holdings Limited

For the Commission: M Mohlala and G Mudzanani (Mergers and Acquisitions)