

BLUE POWER GROUP LIMITED

EXPLANATORY CIRCULAR

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO ANYTHING CONTAINED HEREIN YOU ARE ADVISED TO CONTACT US AT:

**4 Victoria Avenue
Kingston C.S.O
Tel: 876- 928-1882
Facsimile: (876) 930-3283
Email: dtanna8568@aol.com**

Contact Persons

**Dhiru Tanna
Chairman
Blue Power Group Ltd.**

**Ms. Lisa Kong
Company Secretary
Blue Power Group Ltd.**

Alternatively, you may seek advice or explanation from your securities dealer, attorney-at-law, investment advisor, accountant or other appropriate financial advisor.

If you have sold or transferred all your shares in Blue Power after August 1, 2019 then please hand this document to the purchaser or transferee or to the securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



October 7 2019

Fellow Stockholders:

Background

1. As you know, **Blue Power Group Limited** (“**Blue Power**”) has two distinct businesses being;
 - (a) a soap manufacturing business which is conducted from its principal place of business at 4 Victoria Avenue, Kingston 6 in the Parish of Saint Andrew; and
 - (b) a retail hardware business conducted under the trade name “Lumber Depot” from leased premises at 17C Gordon Town Road, Kingston 6 in the Parish of Saint Andrew.
2. After due deliberation, your directors decided that it would be in the best interest of Blue Power stockholders to “spin-off” the Lumber Depot business into a new company called Lumber Depot Limited (“Lumber Depot”) and to distribute the shares of Lumber Depot to all Blue Power stockholders *pro rata* according to their shareholding in Blue Power on a one-for-one basis. Thus, a Blue Power stockholder who holds 100 shares in Blue Power would, on conclusion of the spin-off, receive 100 shares in Lumber Depot. An application would then be made to list Lumber Depot on the Junior Market of the Jamaica Stock Exchange.
3. The “spin-off process was started in August 2019 when, at an Extraordinary General Meeting of Blue Power held on August 14, 2019 its stockholders voted by way of a special resolution to approve the “spin-off” plan and the transfer of the new Lumber Depot shares to Blue Power stockholders on record as at August 1, 2019.
4. Following the stockholders’ approval of the “spin-off” the following transactions have been implemented in pursuance of the plan:
 - (a) Lumber Depot was incorporated under the Companies Act, 2004 (as amended) of Jamaica on July 30, 2019 as a private company.
 - (b) Blue Power subscribed J\$564,990.00 in cash for 564,990,000 ordinary shares of no par value in Lumber Depot. The number of shares is the

same number of issued stock units in Blue Power and was done to ensure that there could be a one-for-one share distribution by Blue Power.

- (c) Blue Power and Lumber Depot entered into an Intragroup Reconstruction Agreement dated August 1, 2019 pursuant to which Blue Power will transfer to Lumber Depot, all its assets as a going concern (including stock-in-trade, furniture, fixtures, fittings and equipment, goodwill, receivables, business records and the like) (all valued at J\$269,941,501.66) and in consideration for such assets Lumber Depot agreed that it (i) will assume all the liabilities of the Lumber Depot business (amounting to J\$133,039,198.54) and (ii) pay to Blue Power the excess of assets over liabilities (J\$111,902,303.12) in the current financial year and the balance of (J\$25,000,000.00) in a 15 month Long Term Loan at 6.5% interest per annum, with no penalty for early repayment. The aforesaid liability will be evidenced by a promissory note.
 - (d) Lumber Depot signed a lease with Cotrade Limited (“Cotrade”)¹, the landlord for a term of five (5) years of the Gordon Town premises from which Lumber Depot currently operates.
 - (e) Lumber Depot also signed a Corporate Services Agreement with Blue Power whereby Blue Power agreed to provide to Lumber Depot certain corporate services such as payroll administration and secretarial services for a fee of \$17,110,00.00 per annum.
5. Pursuant to the resolution adopted by the Blue Power stockholders, it is now ready to transfer the 564,990,000 ordinary shares which it holds in Lumber Depot to stockholders of Blue Power on record as of August 1, 2019 on a one-for-one basis. Transfer tax and stamp duty on the share transfers will be borne by Blue Power.

After Transfer of Lumber Depot Share or Blue Power Stockholders

6. Once the Lumber Depot shares are transferred to Blue Power stockholders the following is expected to occur:

¹ Cotrade Limited is a company incorporated under the laws of Jamaica with its registered office at 4 Victoria Avenue, Kingston, CSO. Cotrade Limited is controlled by Blue Power Group Limited.

- (a) the Intra-Group Reconstruction Agreement will be completed and the asset and liabilities of the Lumber Depot division of Blue Power will be vested in Lumber Depot.
- (b) both the Lease Agreement and the Corporate Services Agreement referred to above will take effect.
- (c) Lumber Depot will issue the promissory note referred to in paragraph 4 (c) above to Blue Power.
- (d) Lumber Depot and Antibes Holdings Limited (“Antibes”) will launch a combined initial public offer (IPO) and offer for sale of shares in Lumber Depot. Antibes is the controlling shareholder in Blue Power; holding 50.09% of Blue Power’s stock units and by virtue of the distribution described in paragraph 2 above, Antibes will become the controlling shareholder in Lumber Depot; holding 50.09% of Lumber Depot’s stock units; and
- (e) on completion of the combined IPO and Offer for Sale, Lumber Depot will apply for a listing of its shares on the Junior Market of the Jamaica Stock Exchange.

Reason for the Spin-Off

- 7. The soap manufacturing and retail hardware divisions of Blue Power have operated as two distinct businesses. The Blue Power brand is well known and attached to the soap manufacturing business. Investors are not often aware of the retail hardware business carried on by Blue Power under the Lumber Depot brand.
- 8. Your Directors believe that splitting off the retail hardware business under the Lumber Depot brand and listing the shares on the Junior Market will unleash shareholder value attributable to the Lumber Depot division of the business. Listing the shares on the Junior Market means that stockholders will be able to trade in the new Lumber Depot shares as they deem fit.

Effect of the transaction on Blue Power

9. The transaction will result in value leaving Blue Power to be vested in its stockholders. It could possibly put some downward pressure on Blue Power stock but stockholders would be compensated by the Lumber Depot Shares that they will receive.

Future Operations of Lumber Depot

10. After the spin-off, Lumber Depot will be operated as a separate company from Blue Power. It will have its own Board of Directors and management team. Blue Power's only continuous engagement will arise from the following relationship:
 - (a) the Corporate Services Agreement whereby, Blue Power will provide certain transitional corporate services to Lumber Depot.
 - (b) The Lease Agreement between Lumber Depot and Cotrade. Cotrade is a company controlled by Blue Power.
 - (c) the fact that the shareholders in Blue Power will receive their *pro rata* allocation of Lumber Depot shares from Blue Power and will therefore hold the same number of shares in Lumber Depot as they held in Blue Power as at August 1, 2019.
 - (d) Blue Power may seek to maintain a continuing interest in Lumber Depot through the purchase of equity in Lumber Depot either before or after the proposed combined initial public offer (IPO) and offer for sale of shares.

Documents for Inspection

11. The following documents may be inspected by Blue Power stockholders at the offices of Blue Power's attorneys:

Patterson Mair Hamilton
Attorneys-at-law
Temple Court
85 Hope Road
Kingston 6
Jamaica

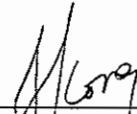
on any business day between 9.00 a.m. and 4.00 p.m.

- (1) Lumber Depot's Articles of Incorporation;
 - (2) copy of the Intra-Group Reconstruction Agreement;
 - (3) copy of the Lease between Cotrade and Lumber Depot;
 - (4) copy of the Corporate Services Agreement between Blue Power and Lumber Depot;
 - (5) draft of Promissory Note to be issued by Lumber Depot to Blue Power; and
 - (6) draft of Assignment of Intellectual Property & Goodwill to be issued by Blue Power to Lumber Depot.
- 12 Your Directors still consider that the spin-off and associated transactions are in the best interest of Blue Power's stockholders, as a whole and sincerely hope that you will all benefit materially from these transactions.

Yours truly



Jeffrey Hall
Director



Lisa Kong
Company Secretary

**BLUE POWER GROUP LIMITED STATEMENT OF
FINANCIAL POSITION
PRO FORMA BALANCE SHEET AFTER THE SPINOFF**

	Notes	Blue Power
ASSETS		
Non-current Assets:		
Property, Plant and Equipment		\$138,165,333.58
Cash Investments		\$265,776,000.00
Investment in LDL		\$564,990.00
Long Term Receivables		\$25,000,000.00
		\$429,506,323.58
Current Assets:		
Inventories		\$185,840,179.63
Receivables and Prepayments		\$90,688,012.12
Inter Divisional account		111,902,303.12
Cash and Cash Equivalents		\$175,864,955.15
		\$564,295,450.02
Current Liabilities:		
Payables		\$31,134,457.83
Inter Divisional account		\$564,990.00
Taxation		\$14,296,983.67
		\$45,996,431.50
Working Capital		\$518,299,018.52
Non Current Liabilities:		
Deferred Tax Liability		\$351,351.00
Long Term Liability		\$0.00
		\$351,351.00
TOTAL NET ASSETS		\$947,453,991.10
Equity		
Shareholders Equity		\$86,900,146.17
Retained Earnings		\$815,996,712.17
Profit (loss) for period		\$44,557,132.76
Total shareholders' equity		\$947,453,991.10