



**DERRIMON
TRADING CO. LTD.**

DERRIMON TRADING COMPANY LIMITED

LETTER FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

February 7, 2018

Dear Fellow Shareholders,

The Board of Directors invites you to attend an Extraordinary General Meeting of Shareholders to be held on March 6, 2018 at the Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 at 9:30A.M. We have prepared this document to explain to you in brief the purpose of that meeting.

As you may recall at an Extraordinary General Meeting held on February 4, 2015, the shareholders authorised the Company to issue 125,000,000 Three-Year Cumulative Redeemable Preference Shares. Those shares were duly issued on March 12, 2015 by the Board in accordance with the shareholders' authorisation (the "**2015 Redeemable Preference Shares**"). The 2015 Redeemable Preference Shares will fall to be redeemed on March 12, 2018.

The law requires that the 2015 Redeemable Preference Shares be redeemed either from: (i) profits; or (ii) the proceeds of a new issuance of redeemable preference shares. Of these two methods the Board believes that the more cost effective method, at this time, is to use a new issuance of redeemable preference shares; for the following reasons:

- *Low interest rate environment* – local interest rates have steady fallen over the past twelve months so that the new preference shares will be at a lower interest rate than the 2015 Redeemable Preference Shares.
- *No capital redemption reserve account* – by law redemptions out of profits require the creation of a statutory capital account called the capital redemption reserve account which is non-distributable and will effectively require that the company sterilize cash up to the amount redeemed.


- *Preserves cash* – a new issuance of preference shares preserves the Company’s internal cash resources which may be used to facilitate investment in capital assets to spur additional growth.

Thus, the Board is seeking your approval to be able to issue the necessary additional preference shares to redeem the 2015 Redeemable Preference Shares as well as to issue additional preference shares from time to time (subject to the limit of un-issued preference shares in existence at any given time) to take advantage of the falling interest rate environment to lower the overall borrowing costs of the Company.

The resolutions to be considered are:

- An Ordinary Resolution to increase the Authorised Share Capital of the Company to create an additional 400,000,000 shares.
- An Ordinary Resolution to designate the 400,000,000 newly created shares as redeemable preference shares and granting the Board the authority to issue those shares from time to time and to designate the rights and restrictions attaching to those redeemable preference shares.
- A Special Resolution to amend the Articles of Incorporation of the Company to grant the Board the authority to issue redeemable preference shares from time to time with default terms of redemption.

We continue to strive to enhance the revenue and profit margin of the Company, whilst managing expenses in order to create value for you and our other stakeholders. We look forward to seeing you at that meeting and answering any questions that you may have. On behalf of our Company’s entire team, we thank you for your continued support.


Chairman and Chief Executive Officer
Derrick Cottrell

