

Shareholder Circular

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult your independent financial advisor.

If you have sold or otherwise transferred all your stock units in Sygnus Real Estate Finance Limited (“SRF”) or (“the Company”), please hand this document and the accompanying documents including the form of proxy to the purchaser or transferee, or the securities dealer or other agent through whom the sale of transfer was effected, for transmission to the purchaser or transferee.



**Notice of Annual General Meeting
and
Explanatory Circular to Stockholders**

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company, which is set out on pages 2 to 4 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Annual General Meeting.

Your attention is also drawn to the Notice of Annual General Meeting of the Company, sent with this document summoning the Annual General Meeting (“AGM”) to be held at 11:00 a.m. at Bella Rosa Road, Gros Islet, Saint Lucia on March 21, 2024. A proxy form for use at the Annual General Meeting is enclosed with the Notice.

To be valid, the completed form of proxy should be signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to reach Jamaica Central Securities Depository (“the Depository”), the Company’s Registrar and Transfer Agent, no later than 5:00 pm on March 19, 2024. The form of proxy can be delivered: (i) by post or by hand to the Depository; (ii) electronically addressed to srf@sygnusgroup.com.

Completion and return of a form of proxy will not preclude stockholders from attending and voting at the Annual General Meeting should they choose to do so. Further instructions relating to the form of proxy are set out in the Notice of Annual General Meeting.

Letter from the Chairman

December 27th 2023

Dear Stockholder,

1. I am pleased to invite you to this year's Annual General Meeting ("AGM") of the Company to be held at 11:00 a.m. at Bella Rosa Road, Gros Islet, Saint Lucia on March 21, 2024. For members in Jamaica, a satellite location will be at the AC Hotel by Marriot, 38-42 Lady Musgrave Road, Kingston 5, Jamaica. The Meeting will commence at 10:00 a.m. Jamaica time. The Notice of AGM which is sent herewith sets out the business to be considered at the meeting. The AGM gives the Board the opportunity to present the Company's performance and strategy to its stockholders and to listen and respond to your questions. Your participation is important to us. If you cannot attend, I would urge you to appoint, as your proxy, the Chairman or another person of your choice to attend and vote on your behalf.

2. When you examine the Agenda in the Notice of the AGM, you will see that there are only two (2) items of special business – these are (i) the ratification of an issue of PIK Shares to Sygnus Capital Limited ("SCL") or its nominee and (ii) the issue of warrants to all stockholders except SCL. I want to take this opportunity to explain the background to those items and what they mean.

ISSUE OF PIK SHARES

3. As you know, the Company does not have its own separate management team. Instead, it has an Investment Management Agreement with SCL whereby SCL provides investment management services to the Company. These services include (i) evaluating investment opportunities; (ii) providing reports and recommendations to the Company's Board on such investment opportunities; (iii) engaging professionals on behalf of the Company; (iv) identifying and arranging financing for the Company; (v) performing all requisite and administrative services including administering Anti-money laundering/ Counter terrorist financing Policies and Procedures; and (vi) all other legal and regulatory compliance matters.

4. The Company has built up an impressive portfolio of real estate investments with a fair market value of J\$14.92 billion as at August 31, 2023. Given the nature of the Company, the expected investment horizon is three to five years. The 2021 financial year would have marked the Company's second year of operations where most of the net profit was attributed to gains on acquisition of subsidiary and unrealized fair value gains on investment properties. This net profit resulted in a performance fee of J\$377,909,003 for the 2021 financial year that was due on January 24, 2022. The Company has been carrying the performance fee of J\$377,909,003 as a liability on its balance sheet. The Company is now seeking to pay the 2021 performance fee by issuance of ordinary shares. As part of this arrangement, the Company will issue shares, referred to as "payment in kind" or "PIK Shares," in lieu of cash for the performance fees due for the financial year ended August 2021. These shares once issued will be converted to stock units and listed on the Jamaica Stock Exchange ("JSE"). The PIK Shares are in all respects ordinary shares in the same class as the existing stock units. This arrangement further aligns the interest of the Investment Manager with that of Shareholders and also seeks to strengthen the Company's balance sheet.

5. The Company's Board has resolved therefore to pay off the outstanding performance fees by an issue of J\$ ordinary shares ("the PIK Shares") to SCL or its nominee. Given that the fees are for the financial year ended August 2021 and per the Investment Management Agreement would have become due on January 24, 2022 when the Company's closing stock price on the JSE was J\$18.25 per J\$ stock unit, the Company has agreed with SCL to effect the payment of the performance fee at a conversion rate of J\$18.25 in respect of J\$ shares. In effect, the company is converting the performance fee debt to equity. It follows therefore that the number of J\$ ordinary shares which would be issued to SCL as PIK Shares will be determined as follows:

$$\frac{\text{J\$377,909,003}}{\text{J\$18.25 per PIK Share}} = 20,707,342 \text{ units of PIK Shares}$$

The Board of the Company has unanimously approved the conversion and although we have received legal advice that the debt/equity conversion is a matter within the powers of the Board, your Directors thought it best, in the interest of stockholders' transparency, to put the matter to you at this AGM.

HOW WILL THE DEBT/EQUITY CONVERSION AFFECT YOU?

6. The Company currently has a liability of J\$377 million on its balance sheet representing the outstanding performance fees. On conversion to equity that liability in the balance sheet will disappear and equity will be increased by the same amount. The effect is that the book value of each stock unit in the Company will increase proportionately. The Company will have a much stronger balance sheet. However, because a batch of J\$ ordinary shares will be issued to SCL or its nominee, it means that each J\$ stock unit and US\$ stock unit in the company will represent a smaller interest in the stockholders' equity in the Company from 0.00000031% to 0.00000029%.

7. In a nutshell, the stock units which you hold in the Company as a percentage of the entire J\$ and US\$ issued share capital of the Company, will be reduced by approximately 6% but the book value of each stock unit should, in theory, increase by a similar percentage. So, in strict economic theory, the transaction should, on a value basis, be neutral to all stockholders. It does mean, however, that the voting power of the existing stockholders will be reduced.

ISSUE OF WARRANTS

8. A warrant, in this context, means a subscription warrant, that is to say a right granted by the Company to subscribe for a specified number of shares at a specified price per share. It is not the same thing as a bearer share warrant which is not allowed in Jamaica for transfer tax reasons.

9. The Board has resolved to award subscription warrants for the same number of stocks issued to SCL to existing stockholders on record as at the issue date to be announced. For the purpose of this transaction the issue date shall be the date when PIK Shares are listed on the Main Market of the Jamaica Stock Exchange ("Issue Date").

10. Since the PIK Shares arose from a conversion rate of J\$18.25 the exercise price for the warrant is, for fairness, fixed as follows:

(a) in respect of J\$ shares = J\$18.25;

(b) in respect of US shares = The equivalent price for the US\$ class ordinary shares will be calculated using the Bank of Jamaica's weighted average selling exchange rate published on January 24, 2022, which was J\$156.7584 to US\$1.00. Using this rate of exchange the price for the US\$ ordinary share will be US\$0.12 per stock.

In financial terms, it means that since the stock price is below the exercise price, the warrants are currently "under water" or "out of the money" but, if it at any time in the future before the Warrant Exercise Period (as defined below) expires, the price of the Company's stock unit rises above J\$18.25 per J\$ stock unit or US\$0.12 per US\$ stock unit then Warrant Holders can exercise their warrants and purchase shares at J\$18.25 per J\$ share or US\$0.12 per US\$ share.

11. Key features of the Warrants are as follows:

(a) the exercise price for the Warrant is J\$18.25 per J\$ share and US\$0.12 per US\$ share ("Warrant Exercise Price");

(b) the Exercise Period for the Warrants will expire two (2) years from the Issue Date (the "Warrant Exercise Period");

(c) the Warrants are stapled automatically to the Company's ordinary stock units at the rate of 1 warrant to every fifteen (15) J\$ ordinary stock units or fifteen (15) US\$ stock units. That means that they will pass automatically with the ordinary stock units when they are traded. They cannot be separated from the ordinary stock units;

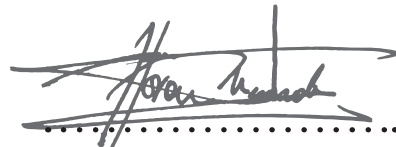
(d) the Warrants carry no voting rights or right to dividend at this point;

(e) Upon the exercise of a Warrant, the shares issued will be converted to stock units and will be listed on the Main Market of the Jamaica Stock Exchange.

(f) since their objective is to allow stockholders other than SCL to minimize the impact of the issuance of the PIK Shares, if bonus shares are issued or if the Company's stock units are split or consolidated, adjustment to the warrants will be automatically made by split or consolidation or otherwise to maintain the same ratio of warrants to ordinary stock units.

RECOMMENDATIONS

Your Directors are of the view that each Resolution to be proposed at the AGM is in the best interest of the stockholders as a whole and unanimously recommend that stockholders vote in favour of the Resolutions. The Directors themselves will vote all their stock units and those which they control indirectly in favour of all the Resolutions.



Horace Messado, FCCA, MBA
Chairman, Sygnus Real Estate Finance Limited