



OCEANUS GROUP LIMITED

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**PROPOSED LOAN AND NEW WARRANTS &
PROPOSED EXISTING WARRANTS RESTRUCTURING**

A. INTRODUCTION

1. The board of directors (the “**Board**” or the “**Directors**”) of Oceanus Group Limited (the “**Company**”, collectively with its subsidiaries the “**Group**”) wishes to announce that the Company has on 27 June 2014 entered into a term sheet (“**Term Sheet**”) with (i) Cap One Financial Limited (the “**Lender**”); and (ii) the existing warrant holders of the Company, namely Ocean Wonder International Limited (“**OWIL**”) and BW Investment Limited (“**BWIL**”) (collectively, the “**Existing Warrantholders**”), in respect of:-

- (a) the proposed provision of a loan for an aggregate amount of S\$30,000,000 (the “**Loan**”) by the Lender to the Company and the issue by the Company to the Lender of warrants (the “**New Warrants**”) each carrying the right to subscribe for one new fully paid-up ordinary share in the share capital of the Company (“**Share**”) (collectively, the “**Proposed Loan and New Warrants**”); and
- (b) the proposed restructuring of the existing warrants issued by the Company to the Existing Warrantholders (the “**Proposed Existing Warrants Restructuring**”),

(collectively, the “**Proposed Restructuring**”), on the terms and conditions set out in the Term Sheet.

For the purposes herein, the Company, the Lender and the Existing Warrantholders shall collectively be referred to as the “**Parties**”, and each, a “**Party**”.

2. It is acknowledged by the Parties that the Term Sheet is legally binding on the Parties with the terms thereof and the Proposed Restructuring is subject to, inter alia, the conditions set forth in the Term Sheet, including the execution of the definitive loan and warrant agreements and ancillary agreements in relation to the Term Sheet (the “**Definitive Agreements**”) within two (2) months from the date of the Term Sheet or such other date as may be agreed between the Parties.
3. The completion of the Proposed Restructuring is conditional upon the approval of the shareholders of the Company (the “**Shareholders**”) being obtained at an extraordinary general meeting of the Company (the “**EGM**”) to be convened in due course. Further information on the salient terms of the Proposed Restructuring is set out in the relevant sections below.

B. THE PROPOSED LOAN AND NEW WARRANTS

1. The Lender and the Introducer

- (a) The Lender, being a special purpose vehicle incorporated in Labuan, is a corporate investor desirous of providing the Loan to the Company and subscribing for the New Warrants for investment purposes. Cap One Financial is a privately held investment holding whose primary objective is to invest in undervalued companies which have the potential to deliver attractive returns for the its private investors. To date, it has investments in various Food & Aquaculture, Oil & Gas Equipment, Medical, Property and Lifestyle businesses across the Asian and China region.
- (b) The Lender was introduced to the Company by NeuAsia Holdings Limited (“**Introducer**”). The Introducer is a company principally engaged in business consultancy activities and business brokering services for Corporate, effectively utilizing its vast network throughout the region to secure appropriate and strategic business partners in ASEAN and Greater China.
- (c) In consideration thereof, the Company has agreed to pay to the Introducer a commission fee which is equivalent to 3% of the principal amount of Loan.
- (d) To the best knowledge of the Directors, each of the Lender and the Introducer is not related to the Company, the Directors or the substantial shareholders of the Company, and is not a person to whom the Company is prohibited from issuing Shares to, as provided for under Rule 812 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

2. Key Terms of The Proposed Loan and New Warrants

(a) Loan Amount and Term of Facility

The Loan is for an aggregate principle amount of S\$30,000,000 and has a term of 5 years commencing from the date of the first drawdown of the Loan (“**Drawdown Date**”). Drawdowns of the Loan will be conducted in accordance with a schedule to be agreed between the Company and the Lender.

The Loan must be repaid no later than five (5) years from the date of the Drawdown Date (“**Maturity Date**”), provided that an exercise of any part of the Warrants by the Lender in accordance with the terms of the New Warrants shall cause a deemed prepayment of the principal amount outstanding in the Loan of up to an amount equivalent to the aggregate value of the converted Warrants.

(b) Interest Rate and Payments

The Loan bears an interest rate of 5 per cent per annum on principal (“**Interest**”) commencing from the Drawdown Date, and accrued on a daily basis on drawn funds only. Interest shall become due and repayment shall take place semi-annually on 30 June and 30 December every year until the Loan is fully repaid.

(c) New Warrants Issue and Exercise Price

The Company shall issue non-listed and transferable New Warrants to the Lender, denominated in Singapore dollars, exercisable at any time prior to the Maturity Date. The

Lender shall be entitled to, at any time and from time to time on or prior to the Maturity Date, convert all or any of the New Warrants into one new Share (the “**Conversion Share**”) for every New Warrant at an exercise price of S\$0.018 per Share (“**Exercise Price**”).

The Exercise Price of S\$0.018 for each Conversion Share represents approximately (i) 4.76% discount to the volume weighted average price of S\$0.0189 of the Shares traded on the SGX-ST on 26 June 2014, being the full market day preceding the day on which the Term Sheet was signed; and (ii) 7.21% discount to the volume weighted average price of S\$0.0194 of the Shares traded on the SGX-ST for the 5 market days preceding 27 June 2014, being the day on which the Term Sheet was signed.

Any unexercised New Warrants shall be mandatorily converted into Shares on the Maturity Date at the Exercise Price. The number of New Warrants and the Exercise Price shall be subject to customary anti-dilutive adjustment provisions. The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares and shall be listed on the SGX-ST.

(d) Exercise of Warrants and Repayment of the Loan

Payment for the aggregate Exercise Price in respect of an exercise of any number of New Warrants converted from time to time shall be satisfied by extinguishing an amount equivalent to the aggregate of the Exercise Price multiplied by the number of New Warrants exercised by the Lender out of the Loan amount then outstanding. Such payment shall be treated as prepayment of the Loan (or part thereof).

(e) Compensation

In the event that the Company is unable to issue the New Warrants within 120 days of the signing of Definitive Agreements (“**Initial Period**”), the Company shall be entitled to an extension of further 2 months from the expiry of the Initial Period (“**Extended Period**”) to effect the issuance of New Warrants, failing which the Company shall repay the Loan in full, including any accrued interest, to the Lender within 30 days from the expiry of the Extended Period, failing which the Lender shall have the right to exercise its claims against the Lender’s Security Assets (as defined below).

(f) Lender’s Warrant Redemption Premium

Subject to certain warrant redemption exceptions as agreed between the Parties, in the event that OWIL and/or BWIL request/requests that their respective existing warrant redemption premium right provided under their respective existing warrant instrument be exercised, notwithstanding that the Maturity Date has not passed, the Lender shall have the right to, at its sole discretion, request that the Company redeems the unexercised New Warrants at a redemption premium equal to an amount that will enable the Lender to derive an internal rate of return of 15% per annum of the aggregate Exercise Price of S\$30,000,000 in proportion to the unexercised New Warrants (exclusive of any taxes and interest payments).

C. CONDITIONS PRECEDENT

1. Conditions precedent for the disbursement of the Loan.

The disbursement of the Loan will be conditional upon the satisfaction of certain conditions precedent on or before the Drawdown Date, which shall include without limitation the following:

- (a) the implementation of the Existing Warrants Restructuring Exercise, encompassing:
 - (i) written confirmation (the “**Written Confirmations**”) being obtained from each of the Existing Warrantholders that it agrees:
 - (A) to extend the term of its existing warrants granted under the 2012 Loans and Warrants (as defined below) (“**Existing Warrants**”) expiration date to 31 December 2016 (“**Revised Expiry Date**”);
 - (B) to partially waive the anti-dilutive adjustment provisions of its Existing Warrants, and that the strike price of its Existing Warrants will be revised from S\$0.0632 to S\$0.030 (“**Revised Strike Price**”) and the necessary amount of additional warrants be issued to it (“**Revised Warrants**”); and
 - (C) that the Existing Warrants redemption premium right provided under the 2012 Loans and Warrants shall be waived and will not be payable by the Company if certain profits and operating cash flow targets as agreed between the Company and each of the Existing Warrantholders are met by the Company or that the existing loan and accrued interest due and payable by the Company thereunder are fully repaid by the Company by the Revised Expiry Date.

For the avoidance of doubt, the Written Confirmations are subject to (A) if relevant, the approval of the Shareholders for the Revised Strike Price and the Revised Warrants and (B) the issuance of the Revised Warrants.

For further information in relation to the 2012 Loans and Warrants and the Existing Warrantholders, please refer to **Appendix A** of this Announcement.

- (ii) the Existing Warrantholders agreeing to grant the following call options and subject themselves (each in relation to itself) to mandatory conversion, on a pro rata basis, of their outstanding warrants (“**Call Options**”), as follows:
 - (A) **1st Call Option.** At any time during the first 12 months commencing on the Drawdown Date (the “**1st Option Period**”), the Company (or such other party as may be nominated by the Company, such person being reasonably acceptable to the Existing Warrantholders) (the “**Option Holder**”) may, by notice in writing (from time to time and at any time) require each Existing Warrantholder to exercise the 1st Option Warrants (as defined below) and instruct the Company to issue the new Shares (“**Warrant Shares**”) pursuant to such exercise in favour of the Option Holder, provided that such notice is accompanied by the full amount of the consideration for the number of warrants to be exercised in accordance with the relevant notice, for 40% of each Existing Warrantholder’s total Revised Warrants that are outstanding as at the date of the 1st Call Option (as defined below) (“**1st Option Warrants**”),

at the exercise price of S\$0.0360 per 1st Option Warrant (constituting a 20% premium to the Revised Strike Price) ("**1st Call Option**");

- (B) **2nd Call Option.** At any time during the 1st Option Period, the Option Holder may, by notice in writing (from time to time and at any time) require each Existing Warrantholder to exercise the 2nd Option Warrants (as defined below) and instruct the Company to issue the Warrant Shares pursuant to such exercise in favour of the Option Holder, provided that such notice is accompanied by the full amount of the consideration for the number of warrants to be exercised in accordance with the relevant notice, for the second 40% of each Existing Warrantholder's total Revised Warrants that are outstanding as at the date of the 2nd Call Option (as defined below) ("**2nd Option Warrants**"), at the exercise price of S\$0.0420 per 2nd Option Warrant (constituting a 40% premium to the Revised Strike Price) ("**2nd Call Option**"); and
- (C) **3rd Call Option.** At any time during the tenure of the Loan (the "**Full Option Period**"), the Option Holder may, by notice in writing (from time to time and at any time) require each Existing Warrantholder to exercise the 3rd Option Warrants (as defined below) and instruct the Company to issue the Warrant Shares pursuant to such exercise in favour of the Option Holder, provided that such notice is accompanied by the full amount of the consideration for the number of warrants to be exercised in accordance with the relevant notice, for the remaining 20% of each Existing Warrantholder's total Revised Warrants that are outstanding as at the date of the 3rd Call Option (as defined below) ("**3rd Option Warrants**"), at the exercise price of S\$0.0555 per 3rd Option Warrant (constituting a 85% premium to the Revised Strike Price) (the "**3rd Call Option**").

The Call Options are subject to the terms and conditions set out in the Term Sheet, including certain withdrawal rights available to the Existing Warrantholders in respect of the Call Options.

- (b) the Existing Warrantholders to agree that in the event the Company proposes to enter into any agreement(s) to raise new funding (either by way of equity or equity linked instruments, or through loans) which sole purpose is to repay in full the entire outstanding amount on the Existing Loans (including any interest and/or Warrant Redemption Premium as may be applicable) prior to the Revised Expiry Date, the Existing Warrantholders shall waive all restrictions on the Company to raise such refinancing (including its anti-dilution rights).
- (c) the Lender being satisfied with the results of its legal due diligence investigations of the Company; and
- (d) the Lender having obtained all necessary external and internal consents and approvals for the transaction and all relevant regulatory, shareholders' and government approvals, if necessary.

2. **Conditions precedent for the issuance of the New Warrants.**

The issuance of the New Warrants to the Lender will be conditional upon, *inter alia*, the following occurring or being confirmed, fulfilled or procured (as the case may be):

- (a) the Definitive Agreements being duly executed;
- (b) approval of the Shareholders being obtained for the issuance of the New Warrants;
- (c) approval in-principle for the listing and quotation of the Conversion Shares to be issued in respect of the exercise of the New Warrants being obtained from the SGX-ST;
- (d) the issuance and subscription of the New Warrants and the corresponding Conversion Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the subscription agreement by any applicable legislative, executive or regulatory body or authority of Singapore; and
- (e) if relevant, the approval of the Shareholders being obtained for the Revised Strike Price and the additional number of Revised Warrants (as defined below) to be issued to each of the Existing Warranholders.

If the conditions precedent are not met within 120 days of the signing of the Definitive Agreements, the Company shall be entitled to an additional 2 months to procure the fulfillment and issuance of the New Warrants. If the Company fails to issue the New Warrants after the 2 months extension period, the obligations of the Company and the Lender with regards to the New Warrants shall cease and determine thereafter, whereupon the compensation provisions described in the Section entitled "Compensation" above shall apply.

D. OTHER SALIENT TERMS OF THE TERM SHEET

1. Board of Directors

As one of the conditions to the Proposed Restructuring, the Parties also agree to the reconstitution of the Board to take effect from the Completion Date (as defined below), including:

- (a) the appointment of one person nominated by the Lender to the Board of the Company at the election of the Lender;
- (b) the appointment of one person nominated by BWIL to the Board as Non-Executive Director of the Company;
- (c) the appointment of Mr Wong Yew Ban (Chief Financial Officer/Chief Operating Officer of the Company) to the Board; and
- (d) retention of the following Directors as members of the Company's Board:-
 - (i) Dr Ng Cher Yew (Executive Chairman and Chief Executive Officer);
 - (ii) Mr Stephen Lee (Non-Executive Director);
 - (iii) Alvin Yeo (Chairman of Audit Committee);
 - (iv) Mr Kee Poir Mok (Independent Director); and
 - (v) Mr Peter Koh (Independent Director).

The appointments and positions of further directors are to be approved by the Company, the Existing Warranholders and the Lender.

“**Completion Date**” means the date falling after the satisfaction of all conditions precedent under the Term Sheet or such other date as may be mutually agreed between the Company, the Lender and Existing Warrantholders.

2. Security (Asset Collateral)

The Company shall secure the payment by the Company of all amounts outstanding pursuant to the Proposed Loan and New Warrants, by granting to the Lender exclusive first charge security over certain properties of the Company, including without limitation, certain land and buildings (which shall include plant and machinery) of the Company (the “**Lender’s Security Asset**”) on terms and conditions agreed, provided that such security shall only be enforceable by the Lender in the event of a default under the terms of the facility agreement relating to the Loan. The maximum Loan to value ratio (“**LTV**”) of the Lender’s Security Assets shall at all times be 53.5%.

The Lender will have the exclusive right to appoint and instruct a valuer of its choice, at the Company’s cost, to carry out a valuation of the Lender’s Security Assets at any time, but in any case not exceeding once per year, for testing the LTV covenant. The Company shall not be held liable nor shall an event of default be triggered under any Definitive Agreement, unless the LTV increases beyond 65% at any time during the tenure of the Loan, upon which the Company shall top up the Lender’s Security Assets such that the LTV will be 50% or below.

The Company will also grant (in addition to the security currently granted in favour of the Existing Warrantholders) exclusive first charge security over certain properties of the Company (including without limitation certain land and buildings), to secure the payment by the Company of the existing loans, in accordance with the agreed terms and conditions.

3. Events of Default

The Definitive Agreements will contain events of default provisions which are customary for transactions of such nature.

E. USE OF PROCEEDS

The Loan shall be used by the Company towards:

- (i) satisfying the Group’s general corporate and working capital purposes, including *inter alia* upgrade and maintenance of infrastructure, expansion of operations; and
- (ii) repaying the accrued interests owing by the Company to the Existing Warrantholders under the existing loans granted by the Existing Warrantholders to the Company.

F. FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

For illustrative purposes only, based on the audited full year results of the Company as at 31 December 2013, the proforma financial effects of the Proposed Loan and New Warrants and the Proposed Existing Warrants Restructuring are calculated based on the following assumptions:-

- (a) for the purpose of computing the earnings per Share (“**EPS**”) of the Company and its subsidiaries (the “**Group**”) after the completion of the (i) Proposed Loan and New Warrants; and (ii) Proposed Existing Warrants Restructuring, it is assumed that (i) the Proposed Loan and New Warrants; and (ii) the Proposed Existing Warrants Restructuring were completed on 1 January 2013; and
- (b) for the purpose of computing the net tangible assets (“**NTA**”) and gearing of the Group, it is assumed that (i) the Proposed Loan and New Warrants; and (ii) the Proposed Existing Warrants Restructuring, was completed on 31 December 2013.

<u>Share Capital</u>	<u>Number of Shares</u>	<u>Issued share capital</u> <u>(S\$’000)</u>
Before the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	4,656,507,134 (a)	531,319
After the Proposed Loan and New Warrants Issue but before the Proposed Existing Warrants Restructuring	6,643,128,840 (b)	567,078
After completion of both of the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	7,770,665,562 (c)	567,078

Notes:

- (a) For the purposes of computation, it is assumed that all Existing Warrants issued to the Existing Warranholders are fully converted.
- (b) For the purposes of computation, it is assumed that:
- (i) (1) all New Warrants issued to the Lender and (2) New Warrants issued to the Shareholder who provided Shareholder Loan, are fully converted into Shares; and
- (ii) new Shares are issued to the Lender at the Exercise Price for the interest payment.
- (c) For the purposes of computation, it is assumed that all Revised Warrants to be issued to the Existing Warranholders are fully converted into Shares.

<u>Earnings Per Share</u>	<u>Loss after Tax</u> <u>(S\$’000)</u>	<u>Weighted average</u> <u>number of fully-paid</u> <u>ordinary shares</u>	<u>S\$ cents</u>
Before the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	(92,336)	4,656,507,134	(1.98)
After the Proposed Loan and New Warrants Issue but before the Proposed Existing Warrants Restructuring	(92,336)	6,643,128,840	(1.39)
After completion of both of the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	(92,336)	7,770,665,562	(1.19)

<u>Net Tangible Assets</u>	<u>NTA (S\$'000)</u>	<u>Weighted average number of fully-paid ordinary shares</u>	<u>S\$ cents</u>
Before the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	76,295	4,656,507,134	1.64
After the Proposed Loan and New Warrants Issue but before the Proposed Existing Warrants Restructuring	112,054	6,643,128,840	1.69
After completion of both of the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	112,054	7,770,665,562	1.44

<u>Gearing</u>	<u>Total borrowings (S\$'000)</u>	<u>Shareholders' funds (S\$'000)</u>	<u>Gearing</u>
Before the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	2,492	76,295	0.03
After the Proposed Loan and New Warrants Issue but before the Proposed Existing Warrants Restructuring	-	112,054	-
After completion of both of the Proposed Loan and New Warrants Issue and Existing Warrants Restructuring Exercise	-	112,054	-

G. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (a) The Lender and the Existing Warranholders are not under the control or influence of any of the Company's Directors or substantial shareholders.
- (b) None of the Directors or substantial shareholders of the Company (other than in their capacity as directors or shareholders of the Company) has any interest, direct or indirect, in the Proposed Restructuring.

H. EGM AND CIRCULAR TO SHAREHOLDERS

- (a) As soon as is practicable after the execution of the Definitive Agreements, the Company will take immediate steps to seek approval from the SGX-ST and the Shareholders at an EGM, for *inter alia* the Proposed Restructuring, in accordance with the terms of the relevant Definitive Agreements.
- (b) A circular to Shareholders setting out further information on the Proposed Restructuring

and containing the notice of EGM, for the purpose of seeking Shareholders' approval for the Proposed Restructuring, will be despatched to Shareholders in due course.

I. APPLICATION TO SGX-ST

The Company will be submitting an application to the SGX-ST for the listing of and quotation for the Conversion Shares to be issued pursuant to the Proposed Loan and New Warrants and Proposed Existing Warrants Restructuring, as applicable. The Company will make the necessary announcements once the approval-in-principle for such application has been obtained from the SGX-ST.

J. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The completion of the Proposed Restructuring is subject to NUMEROUS CONDITIONS. **THERE IS NO CERTAINTY OR ASSURANCE AS AT THE DATE OF THIS ANNOUNCEMENT THAT THE PROPOSED RESTRUCTURING WILL BE COMPLETED OR THAT NO CHANGES WILL BE MADE TO THE TERMS THEREOF. THERE IS NO CERTAINTY OR ASSUANCE THAT THE DEFINITIVE AGREEMENTS WILL BE ENTERED INTO, OR THAT THE RELEVANT AGREEMENTS IN RELATION TO THE PROPOSED RESTRUCTURING WILL BE ENTERED INTO, OR THAT THE PROPOSED RESTRUCTURING WILL PROCEED.** The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board

Dr. Ng Cher Yew
Executive Chairman

27 June 2014

Appendix A

Background of the Existing Warrantheolders and the respective existing loans and warrants

- (a) On 5 April 2012, the Company entered into certain definitive agreements with OWIL, Hupomone Capital Partners Singapore Pte. Ltd. (“**Hupomone**”) and some strategic investors, being GIT PRE-IPO Private Equity Fund SPC acting for the account of Nature Resources Segregated Portfolio and Ngan Tang Joo (collectively the “**Strategic Investors**”), pursuant to which OWIL, Hupomone and Strategic Investors shall use the full redemption value of S\$70,207,050.27 in relation to their then current holding of the first-round loans and warrants (each carrying the right to subscribe for one (1) Share at an exercise price of S\$0.072) due to mature on 23 July 2012 to subscribe for a new round of loan and warrants on a *pro rata* basis in proportion to their participation (the “**2012 Loans and Warrants**”). The 2012 Loans and Warrants were approved by the Shareholders on 10 July 2012.
- (b) The 2012 Loans and Warrants shall mature and expire on the date falling three (3) years from 23 July 2012.
- (c) On 20 March 2013, the Strategic Investors fully exercised their warrants. The payment of the aggregate exercise price for the exercise of their warrants was made by way of extinguishing the loan amount of an equal sum owed by the Company to the Strategic Investors. New Shares were allotted and issued to the Strategic Investors on 26 March 2013 pursuant to the terms of the 2012 Loans and Warrants.
- (d) As at the date of this Announcement, the aggregate loan amount remain outstanding to each of the Existing Warrantheolders and the number of outstanding Existing Warrants issued to the Existing Warrantheolders under the 2012 Loan and Warrants are as follows:-

Existing Warrantheolder	Loan amount granted under the 2012 Loans and Warrants (\$)	Number of Existing Warrants Issued under the 2012 Loans and Warrants ⁽¹⁾	Increased number of Existing Warrants pursuant to the adjustment made for the 2013 Rights Issue ^{(2) (3)}	Number of Existing Warrants which were Exercised as of the date of this Announcement	Number of Existing Warrants held as of the date of this Announcement
OWIL	38,883,069.27	540,042,629	403,420,072	N.A	403,420,072
BWIL	25,500,000.00	354,166,667	615,145,515	N.A	615,145,515
Total:	S\$64,383,069.27	894,209,296	1,018,565,587	N.A	1,018,565,587

Note:

- (1) With an exercise price of S\$0.0720 per Share.
- (2) With an adjusted exercise price of S\$0.0632 per Share.
- (3) In July 2013, the Company completed a renounceable underwritten rights issue of up to 1,001,752,020 new Shares in the issued and paid-up share capital of the Company at an issue price of S\$0.029 for each rights share, on the basis of 38 rights shares for every 100 ordinary shares in the issued and paid-up share capital of the Company (as at the books closure date).