



(Company Registration No. 197501110N)
(the "Company")

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**ANNOUNCEMENT MADE BY CENTILLION ENVIRONMENT & RECYCLING LIMITED
("Centillion") ON 9 OCTOBER 2009**

Equation Corp Limited (the "Company") wishes to announce that Centillion, its associated company, has on 9 October 2009 broadcasted an Announcement No.00008 pertaining to "Update: Negotiation on Waiver in relation to a Breach of Loan Covenant with (1) RBS Citizens National Association and (2) RZB Finance LLC."

A copy of the aforesaid announcement made by Centillion on 9 October 2009 is attached to this announcement.

By Order of the Board

Chng Weng Wah
Director
9 October 2009



CENTILLION ENVIRONMENT & RECYCLING LIMITED
(the "Company")
(Company Registration No. 199206445M)

UPDATE: NEGOTIATION ON WAIVER IN RELATION TO A BREACH OF LOAN COVENANT WITH (1) RBS CITIZENS NATIONAL ASSOCIATION AND (2) RZB FINANCE LLC

Unless otherwise defined, capitalized terms in this announcement shall have the same meaning ascribed to them in the announcements dated 21 August 2009, 4 September 2009 and 30 September 2009.

This announcement is made further to the announcement made by the Company on 30 September 2009 relating to Metech's breach in a loan covenant with RBS Citizens National Association ("**RBS**"). The Directors of the Company would like to clarify certain points made in the announcement and give shareholders of the Company ("**Shareholders**") an update on the negotiations with RBS. The Directors would also like to update the Shareholders on the status of a technical breach on their loan agreement with RZB Finance LLC ("**RZB**").

1. RBS

- 1.1 On 30 September 2009, the Company made an announcement that it has been notified by RBS of a breach of a covenant under a loan agreement dated 31 July 2008 executed between Metech and RBS whereby RBS grants Metech a loan of the principal amount of US\$2,880,000 (the "**RBS Loan**") for the purpose of re-financing its real estate in California (the "**RBS Loan Agreement**"). The real estate has also been mortgaged to RBS. Pursuant to the RBS Loan Agreement, Metech is obliged to maintain a specified debt service coverage ratio. The ratio was breached due to a decrease in Metech's earnings for FY 2009.
- 1.2 Metech has also executed other security documents (including a mortgage note, a deed of trust, security agreement and an assignment of leases) to secure the RBS Loan. All security instruments and all other instruments and documents executed by Metech in connection with the RBS Loan and the RBS Loan Agreement shall hereinafter collectively, be known as the "**RBS Loan Documents**".
- 1.3 It is a term in the RBS Loan Agreement that a default under the RBS Loan Agreement will also constitute a default under the RBS Loan Documents as well. RBS has since, reserved all of its rights and remedies under the RBS Loan Agreement and RBS Loan Documents arising from the default including, the acceleration of all amounts under the RBS Loan Agreement and RBS Loan Documents and the option to increase the interest rate applicable thereunder.
- 1.4 Metech had also previously on 2 separate occasions entered into an agreement to grant security with Citizens Asset Finance on 13 July 2006 and a loan and security agreement with Citizens Bank of Rhode Island on 7 June 2008. Both Citizens Asset Finance and Citizens Bank of Rhode Island are affiliates of RBS. Both the above-mentioned documents shall hereinafter be known as the "**RBS Affiliate Documents**". Under the terms of the RBS Affiliate Documents, a breach under the RBS Loan Agreement will also trigger a default under each of the RBS Affiliate Documents.

- 1.5 As a result of the covenant breach, total borrowings of US\$3.7 million (approximately S\$5.4 million) as at 30 June 2009 could be called for repayment at any time upon notification by the bank, of which S\$4.5 million will be reclassified to current liabilities as at 30 June 2009.
- 1.6 Metech is currently in negotiations and is confident of reaching an agreement with RBS to waive the covenant breach and maintain the original repayment terms, since Metech's property has been mortgaged to the bank and the assessed value at 26 June 2009 by the County Government Centre of Santa Clara, California, USA, is in excess of the outstanding loan amount by approximately US\$898,000.
- 1.7 To date, the bank has not demanded for immediate repayment of the loan and RBS has since given Metech a verbal waiver and is expected to execute a written waiver in due course.
- 1.8 The directors wish to highlight to Shareholders that they cannot assure Shareholders the written waiver will be subsequently obtained.

2. RZB

- 2.1 Metech was in technical violation of its net working capital covenant under a short-term secured revolving line of credit allowed for borrowing up to US\$10 million from RZB for inventory financing.
- 2.2 As the US economic recession deepens, Metech's levels of inventory and its borrowings from this credit line reduced progressively. To date, borrowings by Metech under the line of credit have been reduced to US\$1.0 million.
- 2.3 In view of the Group's strategic decision to progressively reduce its precious metal recovery business in the USA, the bank has indicated that it will no longer grant financing to the Group. The bank has agreed to waive this breach and reduce the net working capital covenant to US\$1.0 million. This waiver and amendment is granted on the mutual understanding that Metech will reduce the loan balance to zero.
- 2.4 Metech has since, managed to secure alternative financing from Golden Business Enterprise Corp, a British Virgin island Corporation to pay the outstanding loan balance owing to RZB. Metech intends to use the alternative financing secured to repay RZB its outstanding loan balance on 9 October 2009.

3. Directors' Opinion on the Company as a Going Concern

- 3.1 In light of the above and the Company's announcement dated 27 August 2009 on its auditors' indication that its audit opinion would contain an emphasis of matter on going concern, the directors wish to update on this matter.
- 3.2 In analysing whether the Company is able to operate as a going concern and whether the Company is able to meet its cash flow obligations in the foreseeable future, the directors of the Company have considered the following factors:
 - 3.2.1 Metech is confident of reaching an agreement with RBS to waive the covenant breach and maintain the original repayment terms as stated in paragraph 1.6 and 1.7.

If Metech is successful in its negotiations with RBS, so that the repayment terms are maintained at the original terms, Metech is confident that it will be able to generate sufficient operating net cash inflows for the next twelve months to fulfil its loan repayment obligations.

If however, Metech is unsuccessful in its existing negotiations with its bank to waive the covenant breach, Metech may be called upon to fully repay its existing bank loans. In that situation, if the Company is unable to raise financing from other sources or does not obtain further funding from its shareholders, it would be unable to meet its cash flow requirements.

- 3.2.2 The Rights Issue is expected to raise approximately S\$9 million in net proceeds for the Company, in the event of a full subscription. Proceeds from the rights issue would be used towards settlement of amounts due to major creditors of S\$6.9 million and the remaining S\$2.1 million as additional working capital.
- 3.2.3 On 30 June 2009, ECL extended a shareholder's loan of S\$500,000 to the Company to meet its payment obligations. In relation to the Rights Issue, ECL agreed to take up a part of its overall entitlement (amounting to S\$2 million). However as the Company needed the funds urgently, ECL agreed to extend the balance of the ECL Loan of S\$1.5 million as a bridging loan, with the intention that it would all be applied towards the subscription of its rights entitlements.
- 3.2.4 The Company had also reached an agreement with the Settlement Vendors in the settlement of liabilities amounting to S\$3.99 million, in the form of shares amounting to S\$0.8 million in the Company and payment of and/or set off against the remaining liabilities of S\$3.19 million against the Settlement Vendors subscription of the Settlement Right Shares and Settlement Excess Rights Shares.
- 3.2.5 If the Rights Issue is unsuccessful or the proceeds raised from the Rights Issue is insufficient, the Company would have to conduct further fund raising in order to meet its payment obligations.

This material uncertainty may cast significant doubt on the ability of the Group and the Company to continue to operate as a going concern. If the Company is unable to operate as a going concern, the Company's shares may be suspended in accordance with Rule 1303 of the SGX-ST Listing Manual.

- 3.3 Subject to the satisfactory fulfillment of the factors set out in Paragraph 3.2.1 to 3.2.5 above, the Directors are of the opinion that the Company is still a going concern.
- 3.4 Subject to the satisfactory fulfillment of the factors set out in Paragraph 3.2.1 to 3.2.5 above, the Directors are of the opinion that the Company is able to meet its cash flow obligations in the foreseeable future.
- 3.5 Subject to the satisfactory fulfillment of the factors set out in Paragraph 3.2.1 to 3.2.5 above, the Directors are of the opinion that the cash proceeds from the Rights Issue is sufficient to meet its short term obligations and working capital requirements.



4. Further announcement to be made after close of market on 9 October 2009

The Company will be releasing another announcement after the market closes on 9 October 2009 to set out the sequence of events over the last few months to provide a clearer picture to shareholders on the Company's development and its financial position.

By Order of the Board

Richard Basil Jacob
Director
8 October 2009