



EQUATION CORP LIMITED

(Company Registration Number 197501110N)

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This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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PROPOSED RENOUNCEABLE AND NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 530,604,255 NEW ORDINARY SHARES IN THE ISSUED SHARE CAPITAL OF EQUATION CORP LIMITED ("THE COMPANY") (THE "RIGHTS SHARES") AT AN ISSUE PRICE OF S\$0.02 FOR EACH RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES IN THE ISSUED SHARE CAPITAL OF THE COMPANY HELD AS AT THE BOOKS CLOSURE DATE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

1.1 The Board of Directors of Equation Corp Limited (the "**Directors**") wishes to announce that the Company is proposing a renounceable and non-underwritten rights issue of up to **530,604,255** new ordinary shares in the issued share capital of the Company (the "**Rights Issue**") at an issue price of S\$0.02 for each Rights Share and on the basis of two (2) Rights Shares for every five (5) existing ordinary shares in the issued and paid-up share capital of the Company (the "**Shares**") held by shareholders of the Company (the "**Shareholders**") as at a time and date to be determined by the Directors for the purpose of determining the Shareholders' entitlements under the Rights Issue (the "**Books Closure Date**").

1.2 As of the date of this announcement, the Company has granted options (the "**Share Options**") under the Company's Executives' Share Option Scheme (the "**ESOS**") adopted by Shareholders of the Company on 23 December 1999. In the event that the Share Options that have been vested are exercised prior to the Books Closure Date for the Rights Issue, 1,900,000 new ordinary shares in the Company will be issued.

1.3 On 5 February 2009, the Company's 70.0% owned subsidiary, Equation Resources Pte Ltd ("**ERPL**"), entered into a Sale and Purchase and Co-operation Agreement (the

“**Co-operation Agreement**”) with PT Kawasan Dinamika Harmonitama (“**KDH**”) for the acquisition of 51.0% rights, interests in and ownership to the granite in a mining area on the land located District of Meral, Karimun Regency, Province of Riau Islands, Indonesia owned by KDH. The Co-operation Agreement was entered into pursuant to a memorandum of understanding executed between ERPL and KDH dated 10 October 2008. Under the terms of the Co-operation Agreement, ERPL will pay a total consideration of S\$10,000,000, of which S\$2,000,000 will be satisfied by way of the issuance of 68,259,385 new Shares (the “**Granite Shares**”) in the Company to KDH and/or its nominees at an issue price of S\$0.0293 per Share. In the event that the Granite Shares are allotted prior to the Books Closure Date for the Rights Issue, 68,259,385 new ordinary shares in the Company will be issued.

- 1.4 KBC Bank N. V., Singapore Branch has been appointed by the Company as the Manager for the Rights Issue.
- 1.5 KhattarWong has been appointed by the Company as the Legal Counsel for the Rights Issue.

2. IRREVOCABLE UNDERTAKINGS

- 2.1 As at the date of this announcement, Starbids Ventures Inc., a family trust of Mr Chng Weng Wah (“**Mr Chng**”), the Executive Director and Chief Executive Officer of the Company, holds 264,600,000 Shares, representing a shareholding interest of approximately 21.06% in the current issued share capital of the Company. Accordingly, Starbids Ventures Inc. will be entitled to subscribe for an aggregate of 105,840,000 Rights Shares (the “**Starbids Rights Shares**”).
- 2.2 As at the date of this announcement, Mr Chng holds 51,080,000 Shares, representing a shareholding interest of approximately 4.07% in the current issued share capital of the Company. Accordingly, Mr Chng will be entitled to subscribe for an aggregate of 20,432,000 Rights Shares (the “**Chng Rights Shares**”).
- 2.3 Starbids Ventures Inc. and Mr Chng (collectively, the “**Undertaking Shareholders**”) have each given an irrevocable undertaking to the Company to subscribe and pay for the Starbids Rights Shares and the Chng Rights Shares respectively in accordance with the terms of the Rights Issue.
- 2.4 In the event that Shareholders (other than the Undertaking Shareholders) do not take up their rights entitlements fully, the Company will take all such steps and actions it may deem necessary in its absolute discretion to scale down the Undertaking Shareholders’ applications to subscribe for the Rights Shares after the closing date of the Rights Issue, such that the Undertaking Shareholders and/or any parties acting in concert with the Undertaking Shareholders (as defined in the Singapore Code on Take-overs and Mergers (the “**Code**”), will not acquire additional Shares that would otherwise cause the Undertaking Shareholders to incur an obligation to make a mandatory take-over offer under Rule 14 of the Code.
- 2.5 In view of the foregoing, the Rights Issue will not be underwritten

3. PROPOSED PRINCIPAL TERMS OF THE RIGHTS ISSUE

- 3.1 The Rights Issue is proposed to be offered on a renounceable basis to Shareholders whose registered addresses with the Company or the Central Depository (Pte) Ltd ("**CDP**") as the case may be, are in Singapore as at the Books Closure Date, or who have, at least three (3) market days prior to the Books Closure Date, provided to the Company or CDP as the case may be, addresses in Singapore for the service of notices and documents ("**Entitled Shareholders**") on the basis of two (2) Rights Shares for every five (5) Shares held as at the Books Closure Date at the issue price of S\$0.02 for each Rights Share.
- 3.2 Fractional entitlements to any Rights Share will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allocated to satisfy excess applications (if any) or disposed of or otherwise dealt with in such manner as the Directors in their absolute discretion, deem fit in the interests of the Company.
- 3.3 The issue price of S\$0.02 for each Rights Share represents a discount of approximately 33.3% to the last transacted price of S\$0.03 per Share on the SGX-Catalist on 11 February 2009, before the release of the Company's announcement of the Rights Issue.
- 3.4 The Rights Shares are payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respect with the Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares. For this purpose, "record date" means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered or the securities account of Shareholders must be credited with Shares in order to participate in such dividends, rights, allotments or other distributions.
- 3.5 For practical reasons and in order to avoid any violation of securities legislation applicable in countries other than Singapore, the Rights Shares will NOT be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) market days prior thereto, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). If it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to the Foreign Shareholders to be sold "nil paid" on the SGX-Catalist as soon as practicable after dealings in the provisional allotments of Rights Shares commence and the net proceeds arising therefrom will be dealt with in accordance with the terms set out in the offer information statement ("**OIS**") to be issued by the Company in connection with the Rights Issue.
- 3.6 If such provisional allotments of Rights Shares cannot be or are not sold on the SGX-Catalist as aforesaid for any reason by such time as the Exchange shall have declared to be the last day for trading in the provisional allotments of Rights Shares, the Rights Shares represented by such provisional allotments will be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the

Company or CDP in connection therewith.

- 3.7 Entitled Shareholders are at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.
- 3.8 Based on the current issued share capital of the Company of 1,256,351,254 Shares and assuming all of the Share Options that have been vested are exercised and Granite Shares are issued pursuant to the completion of the Co-operation Agreement before the Books Closure Date, 530,604,255 Rights Shares will be issued and the net proceeds from the Rights Issue (after deducting expenses estimated to be S\$0.3 million) are expected to be approximately S\$10.3 million.
- 3.9 The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the OIS to be dispatched by the Company to Entitled Shareholders in due course.

4. PURPOSE OF THE RIGHTS ISSUE

- 4.1 Based on the issue price of S\$0.02 for each Rights Share and assuming that the Rights Issue is fully subscribed, the Company expects to raise approximately S\$10.3 million in net proceeds from the Rights Issue. The Directors intend to use the proceeds from the Rights Issue to provide funds for general working capital, business expansion and potential acquisitions and/or investments by the Group.
- 4.2 Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as Directors may deem appropriate.
- 4.3 The Directors are of the opinion that, after taking into consideration: -
 - (a) bank facilities, the working capital available to the Group is sufficient to meet its present requirements. The purpose for the Rights Issue are as stated in item 4.1 above; and
 - (b) bank facilities and net proceeds of the issue, the working capital available to the Group is sufficient to meet its present requirements.

5. APPROVAL

- 5.1 The Company will be submitting its application to the Sponsor and/or the Exchange for permission to deal in, and for the listing and quotation of, the Rights Shares.
- 5.2 In addition to obtaining the in-principal confirmation from the Sponsor and the listing and quotation notice from the Exchange to deal in and for the listing of and quotation for the Rights Shares on the SGX Catalist, the Rights Issue is subject to the lodgement of the OIS on Catalodge. The OIS will be lodged on Catalodge and dispatched to Entitled

Shareholders in due course.

- 5.3 As the Company has obtained a general share issue mandate at the extraordinary general meeting held on 31 October 2008 to issue and allot Shares and convertible securities of the Company on such terms and conditions and with such rights or restrictions as the Directors may deem fit provided always that the aggregate number of Shares and convertible securities to be issued pursuant to the general share issue mandate shall not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing Shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company, **no further Shareholders' approval is required for the Rights Issue and the issuance of Rights Shares arising therefrom.**

6. RESPONSIBILITY STATEMENT

- 6.1 The Directors of the Company (including those who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board

Lee Teck Leng

Director

12 February 2009