



(Company Registration No. 197501110N)

(the "Company")

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**PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF TERNARY TECHNOLOGIES PTE. LTD.
(THE "PROPOSED ACQUISITION")
AND INTERESTED PERSON TRANSACTION**

1. Introduction

The Board of Directors (the "**Board**") of Equation Corp Limited (the "**Company**") refers to the announcement dated 18 May 2009 regarding the memorandum of understanding entered into by the Company in relation to the Proposed Acquisition (the "**Memorandum of Understanding**").

The Board wishes to further announce that the Company had on 2 July 2009 entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") to acquire the entire issued and paid up share capital of Ternary Technologies Pte. Ltd. (the "**Target Company**"):

The Proposed Acquisition is an Interested Person Transaction (as hereinafter defined) and a Discloseable Transaction (as hereinafter defined) under Chapter 9 and Chapter 10, respectively of the listing manual of the SGX-ST Catalist (the "**SGX Catalist Listing Manual**"), further details of which are set out in paragraph 5 below.

2. Information on the Target Company

The Target Company is a company incorporated in the Republic of Singapore and is engaged in the Electronic Manufacturing Services business ("**EMS Business**"), which includes the manufacture of electronic equipments and components, mini-fridges, air-care products, Optoelectronics solution products, design & distribution of digital products, as well as research and development. The Target Company has subsidiaries and/or offices in Malaysia and China (the "**Target Group**").

The Target Company has acquired exclusive, worldwide licence rights to exploit certain patents relating to anti-theft technology for digital electronic products (the “**Anti-Theft Technology**”) from Mr. Chng Weng Wah (“**Mr Chng**”), the Chief Executive Officer of the Company and a Director of the Target Company pursuant to the terms of a written licence agreement dated 17 April 2009 (the “**Licence Agreement**”). The Target Company has in turn, granted the right to the Company’s subsidiary, DiSa Digital Safety GmbH, the right to market the anti theft products in Europe. The Anti-Theft Technology primarily serves to safeguard retailers and manufacturers of digital electronic products against robbery and theft and facilitates lower packaging costs in connection with the production, sales, transportation and storage of these products.

The current shareholders of the Target Company and their respective shareholdings as at the date of the Sale and Purchase Agreement are as follows:

<u>Shareholders of the Target Company</u>	<u>No. of Shares</u>	<u>Percentage shareholding %</u>
Hianto Dharmaputra Sunardy	88,000	2.33%
Tay Beng Wee	88,000	2.33%
Tan Soon Hoon	22,000	0.58%
Tan Hong Kiat	389,334	10.31%
Cheng Kwee Kiang	176,000	4.66%
Tan Hui Song	88,000	2.33%
Chow Sou Chian Larry	213,334	5.65%
Charles Leck Tin Hong	352,000	9.32%
Mr. Chng	1,134,665	30.04%
Wong Cheah Wei Eugene	36,667	0.97%
Tay Kim Kee	88,000	2.33%
Lin Jian Nan	88,000	2.33%
Tan Boon Hwee	370,000	9.80%
Han Yang Kwang	213,334	5.65%
Iparla Overseas Limited	46,000	1.22%
Fine Able Investments Limited	383,333	10.15%
TOTAL	<u>3,776,667</u>	<u>100%</u>

3. Details of the Proposed Acquisition

3.1 The Proposed Acquisition

Pursuant to the terms and conditions set out in the Sale and Purchase Agreement, the Company will acquire from the Vendors, 3,776,667 ordinary shares (the “**Sale Shares**”) in the issued and paid up share capital of the Target Company, representing 100% of the issued and paid up share capital of the Target Company.

3.2 Consideration

The purchase consideration for the Sale Shares shall be the lower of:

- (i) S\$6.5 million, being the net tangible asset value (“**NTA**”) of the Target Group based on its unaudited management accounts for the 9 months’ period ended 31 March 2009; or

- (ii) the NTA of the Target Group based on the audited accounts of the Target Group for the financial year ended 30 June 2009

(the "**Purchase Consideration**").

The Purchase Consideration will be satisfied by way of an issue to the Vendors of new ordinary shares in the capital of the Company (the "**Consideration Shares**"), at an issue price per share of S\$0.0352 (the "**Issue Price**"), being the average closing price of the Company's shares over the 30 day period immediately preceding 18 May 2009, being the date of signing of the Memorandum of Understanding.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

The Consideration Shares shall be allotted and issued to the Vendors in proportion to their respective shareholdings in the Target Company immediately preceding the Completion Date (as hereinafter defined) in exchange for the transfer of the whole of the Sale Shares by the Vendors to the Company.

3.3 Earn Out Payment

Subject to the Target Company's performance over the financial period from 1 July 2009 to 30 June 2010 (the "**Earn Out Period**"), the Vendors shall be entitled to receive an additional payment from the Company (the "**Earn Out Payment**"), to be calculated based on the following formula:

$$\text{Earn Out Payment} = 10 \text{ times NPAT less Purchase Consideration}$$

where "NPAT" shall mean the Target Group's consolidated net profit after tax based on its audited accounts for the Earn Out Period; provided always that the aggregate of the Purchase Consideration and the Earn Out Payment shall, in no event, exceed S\$30 million.

The Earn Out Payment will be satisfied by way of an issue to the Vendors of new ordinary shares in the capital of the Company, at the Issue Price (the "**Earn Out Shares**"). The Earn Out Shares, when allotted and issued, will rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

The Earn Out Shares shall be allotted and issued to the Vendors in proportion to their respective shareholdings in the Target Company as at the Completion Date.

3.4 Basis for Payment

The Purchase Consideration and Earn Out Payment were arrived at on a willing-buyer and willing-seller basis taking into account the following factors:

- (a) the NTA of the Target Company, of approximately S\$6.5 million, based on the unaudited management accounts of the Target Group for the 9 months' period ended 31 March 2009;
- (b) the forecasted consolidated net profit after tax of the Target Group for the Earn Out Period of approximately S\$3 million; and
- (c) the projected revenue to be generated from the Target Group's existing EMS Business and from the future exploitation of the Licence Agreement.

3.5 Completion

Completion shall take place on a date falling five (5) business days after the last of the outstanding conditions set out in the Sale and Purchase Agreement have been fulfilled or waived, or such other date as the Company and the Vendors may mutually agree in writing (the "**Completion Date**").

3.6 Conditions Precedent

Completion is conditional upon the fulfilment of the following conditions on or before the Completion Date:

- (a) in respect of each of the Vendors, all consents or approvals being granted by third parties (including all pre-emption rights/waivers with respect to the Sale Shares, and all regulatory/governmental approvals and filings having been obtained and made), and where such consents, approvals or filings are subject to any conditions, such conditions being acceptable to the Company;
- (b) in respect of the Company, approval of its directors and/or shareholders (the "**Shareholders**"), as necessary, being obtained in respect of the Proposed Acquisition and the Interested Person Transaction (as hereinafter defined);
- (c) all legal, financial and technical due diligence exercises conducted on the Target Company and the Target Group, being satisfactory to the Company;
- (d) all Vendors' warranties (as defined in the Sale and Purchase Agreement) being true and accurate and not misleading and there being no breach of any of the Vendors' covenants and undertakings as set out in the Sale and Purchase Agreement;
- (e) no material adverse change (as determined by the Company in its sole and absolute discretion) affecting the prospects, operations or financial condition of the Target Company and/or any of its subsidiaries (a "**Target Group Company**") having occurred;
- (f) the Target Company and/or the Vendors having performed all of the covenants and obligations required to be performed or caused to be performed by them;
- (g) the approval and/or clearance of the SGX-ST and/or the Sponsor for the transactions contemplated hereunder having been obtained where necessary and such approval not having been withdrawn or revoked and, if such approval is subject to the imposition of any condition(s) or restriction(s), such condition(s) or restriction(s) (i) being reasonably acceptable to the Vendors and the Company; and (ii) where applicable and so required, being duly fulfilled or complied with;
- (h) the approval of the SGX-ST for the listing and quotation of any new shares to be issued in connection with the Sale and Purchase Agreement and, if such approval is subject to the imposition of any condition(s) or restriction(s), such condition(s) or restriction(s) (i) being reasonably acceptable to the Vendors and the Company; and (ii) where applicable and so required, being duly fulfilled or complied with;

- (i) if deemed necessary by the Company:
 - (i) the receipt and non-withdrawal of approval by the Securities Industry Council (the “**SIC**”) in favour of Mr. Chng and/or his concert parties, if any (“**Relevant Parties**”), to dispense with the requirements of Rule 14 of the Singapore Code on Takeovers and Mergers to make an offer to the Shareholders arising from the receipt of his/their respective entitlements to the Consideration Shares and/or Earn Out Shares (if any) in connection with the Proposed Acquisition, subject to the conditions set out in the said approval, provided always that if the SIC shall impose any conditions on the Relevant Parties or the Company, such conditions shall not be onerous and shall be reasonably acceptable to the Relevant Parties or the Company (as the case may be) and, if any such condition is required to be fulfilled before Completion, the due fulfillment of such condition; and
 - (ii) the approval of the independent Shareholders, at a general meeting, in respect of any proposed resolution agreeing to waive their right to receive a mandatory take-over offer from the Relevant Parties arising from the receipt by the Relevant Parties of their respective entitlements to the Consideration Shares and Earn Out Shares (if any) in connection with the Proposed Acquisition;
- (j) the Licence Agreement having been duly and validly executed and remaining in full force and effect;
- (k) the Company remaining listed on SGX Catalist and the trading of the shares of the Company on SGX Catalist not being suspended pursuant to a directive by the SGX-ST for a period of not less than five (5) consecutive market days at any time prior to Completion for whatever reason;
- (l) where the terms of any contracts or agreements entered into by any Target Group Company contain any restrictions or prohibition on the change in control of the shareholdings and/or boards of directors or management of the Target Company or a Target Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Sale and Purchase Agreement, written confirmation in a form and on terms reasonably satisfactory to the Company by the counterparties thereto, of the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the Sale and Purchase Agreement or of any such right of termination; and
- (m) the execution and performance of the Sale and Purchase Agreement by the Company and the Vendors not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or other authority of competent jurisdiction.

3.7 Moratorium

Each Vendor has made a covenant and has undertaken to the Company under the terms of the Sale and Purchase Agreement that each of them shall observe a moratorium period of six months from the date of allotment and issue of any new shares to them in conjunction with the payment of each of the Purchase Consideration and the Earn Out Payment (if applicable).

4. Rationale for the Proposed Acquisition

The Company is entering into the Proposed Acquisition:

- (a) to enable the group to venture into the Target Group's existing EMS Business, which shows growth potential in the near future, and will help generate new revenue streams and provide greater insulation against adverse economic conditions;
- (b) as a strategic acquisition to create new growth drivers and diversify its earnings base through the exploitation of the rights to the Anti-Theft Technology; and
- (c) to enable the group to leverage off and benefit from economies of scale by making use of the group's subsidiaries' established retailing network in Europe, to market and promote the EMS Business, as well as the Anti-Theft Technology.

5. Requirements of the Listing Manual in Relation to the Proposed Acquisition

5.1 Interested Person Transaction

Mr. Chng is a director and shareholder of the Company and he is also a director and shareholder of the Target Company, holding 30.04% of the issued share capital of the Target Company. As such, Mr. Chng is an "interested person" within the meaning of the SGX Catalist Listing Manual.

Accordingly, the entry by the Company into the Sale and Purchase Agreement with Mr. Chng as one of the Vendors amounts to an interested person transaction under Chapter 9 of the SGX Catalist Listing Manual (the "**Interested Person Transaction**") and will require specific shareholders' approval.

Mr. Chng will abstain, and has undertaken to ensure that his associates (if any) will abstain, from making any recommendations and from voting on the ordinary resolution approving the Proposed Acquisition.

5.2 Discloseable Transaction

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the SGX Catalist Listing Manual are as follows:

(a) Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable
(b) The net profits attributable to the assets acquired or disposed of, compared with the Group's net profit	(0.6%)
(c) Aggregate value of the consideration given or received, compared with the Group's market capitalization on 15 May 2009 being the market day preceding the date of the MOU*	43.7%
(d) The number of equity issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue*	49.6%

**Based on the assumption that the maximum consideration for the Proposed Acquisition is S\$30 million.*

The Proposed Acquisition constitutes a discloseable transaction (the “**Discloseable Transaction**”) pursuant to Rule 1010 read together with Rule 1006 of the SGX Catalist Listing Manual and requires the Company to immediately announce the same.

The net profits attributable to the Proposed Acquisition is S\$480,169, being the last audited consolidated net profit attributed to the Target Company as at financial year ended FY2008.

6. Financial Effects of the Proposed Acquisition

The financial effects of the Proposed Acquisition on the Company are for illustrative purposes only and are therefore, not indicative of the actual financial performance or position of the enlarged group immediately after the completion of the Proposed Acquisition. The objective of presenting the proforma financial effects of the Proposed Acquisition as shown below is to illustrate what the historical financial information might have been had the Proposed Acquisition been completed at an earlier date. However, such financial information is not necessarily indicative of the results of the operations or the related effects in the financial position that would have been attained had the Proposed Acquisition been completed at the earlier date.

The financial effects of the Proposed Acquisition were prepared using the audited consolidated accounts of the Company for the financial year ended FY2008 and the audited consolidated financial statements of the Target Company and its subsidiaries for the financial year ended FY2008 and based on the assumption that the maximum consideration for the Proposed Acquisition is S\$30 million.

6.1 Earnings

The effects of the Proposed Acquisition on the earnings per share of the Company for FY2008 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to Shareholders (S\$'000)	513	993
Number of shares ('000)	1,256,351	*2,108,624
Earnings per share (cents)	0.04	0.05

**Based on the assumption that the maximum consideration for the Proposed Acquisition is S\$30 million.*

6.2 Net Tangible Assets

The effects of the Proposed Acquisition on the net tangible assets per share of the Company for FY2008 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	41,426	45,457
Number of shares ('000)	1,256,351	*2,108,624
NTA per share (cents)	3.29	2.16

**Based on the assumption that the maximum consideration for the Proposed Acquisition is S\$30 million.*

7. Independent Financial Adviser

The Company will appoint an Independent Financial Adviser in due course. The Independent Financial Adviser so appointed will be independent of the Proposed Acquisition to advise the independent directors of the Company on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its independent Shareholders. The Audit Committee of the Company will be obtaining an opinion from the Independent Financial Adviser before forming its view on the Proposed Acquisition and the Interested Party Transaction.

8. Total Value of All Interested Person Transactions

Save as disclosed above, the Company has not entered into any discloseable interested person transactions with Mr. Chng or any of his associates in the current financial year up to the date of the Sale and Purchase Agreement.

9. Interests of Directors and Substantial Shareholders

Save as disclosed above, none of the directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

10. Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction

There are no directors who are proposed to be appointed to the Board of the Company in connection with the Proposed Acquisition.

11. Shareholders' Caution

A circular to Shareholders (the "**Circular**") setting out the information on the Proposed Acquisition, together with a notice of the extraordinary general meeting of the Company to be convened, will be dispatched to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and recommendations to be set out in the Circular.

In addition, as there is no assurance that the Proposed Acquisition will be completed, Shareholders are advised to refrain from taking any action which may be prejudicial to their interests before seeking advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers (as appropriate).

12. Responsibility Statement

The Directors of the Company (including those who may have delegated detailed supervision 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.

13. Documents Available for Inspection

A copy of the Sale and Purchase Agreement is available for the inspection by the Shareholders during normal business hours at the Company's registered office at 8 Cross Street #11-00 PwC Building Singapore 048424 for a period of 3 months from the date of this announcement.

14. Further Announcements

Further announcements on this matter will be made in due course as and when appropriate.

By Order of the Board

Heng Lee Seng
Director
2 July 2009