



(Company Registration No. 197501110N)
(Incorporated in Singapore)
("Company")

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SUBSCRIPTION AGREEMENT ("AGREEMENT") FOR THE PROPOSED SUBSCRIPTION OF SHARES IN THE COMPANY BY TSH CORPORATION LIMITED ("SUBSCRIBER") AND OPTION FOR THE SUBSCRIBER TO SUBSCRIBE FOR REDEEMABLE CONVERTIBLE BONDS CONVERTIBLE INTO SHARES IN THE COMPANY (COLLECTIVELY, "PROPOSED TRANSACTIONS")

Introduction

1. The Board of Directors ("**Board**") of Equation Corp Limited ("**Company**") (together with its subsidiaries referred to as "**Group**" and each a "**Group Member**") is pleased to announce that the Company has on 17 January 2012, entered into the Agreement for the proposed subscription of shares in the Company by the Subscriber ("**Share Subscription**") and the option for the Subscriber to subscribe for redeemable convertible bonds ("**Bond Subscription**") convertible into shares in the Company.

Principal Terms of the Proposed Transactions

2. The principal terms of the Proposed Transactions are as follows:
 - (a) **Share Subscription.** The Subscriber shall subscribe for and the Company shall issue and allot to the Subscriber, 111,111,111 new ordinary shares in the issued and paid-up share capital of the Company ("**Subscription Shares**") amounting to 4.69% of the issued share capital of the Company on an enlarged basis, at the subscription price of S\$0.018 per Subscription Share ("**Subscription Price**"), based on 10% discount off the volume weighted average price of the Shares traded on Catalist for the full Market Day on 16 January 2012, being the date immediately before the date of the Agreement, in consideration for the payment by the Subscriber to the Company of S\$2 million in cash, pursuant to the terms and subject to the conditions set out in the Agreement;
 - (b) **Bond Subscription.** Pursuant to the Agreement, the Subscriber, shall within the period commencing from the date of the Agreement and the date falling on the second anniversary thereof ("**Option Period**"), have the option ("**Option**") to

subscribe for redeemable convertible bonds to be issued by the Company (“**Bonds**”) having an aggregate principal value of S\$2 million, convertible into new ordinary shares in the issued and paid-up share capital of the Issuer (“**Conversion Shares**”) at the Subscription Price (subject to such adjustments in the event of rights, bonus, capitalisation issues or other changes to the capital structure of the Company as provided for in the Agreement) (“**Conversion Price**”) at any time between the date of issue of the Bonds (“**Bond Completion Date**”) and the day immediately before the first anniversary of the Bond Completion Date (“**Maturity Date**”), pursuant to the terms and subject to the conditions set out in the Agreement PROVIDED ALWAYS THAT the Subscriber shall not convert the Bonds where the Subscriber is a substantial shareholder and the Company has not yet obtained specific approval from the Shareholders, for the issue and allotment of the Conversion Shares to the Subscriber.

3. **Subscription Shares and Status.** Subject to completion of the Share Subscription (“**Share Completion**”) the Subscription Shares shall be issued and allotted to the Subscriber by the Company free and clear from all encumbrances, ranking *pari passu* in all respects with all other existing Shares, and together with all rights, benefits and entitlements attaching thereto as at the Share Completion Date (save in respect of rights, benefits, entitlements or other distributions the record date for which is on or prior to the Share Completion Date), pursuant to terms and subject to the conditions of the Agreement.
4. **Option Terms.** The Option may be exercised in whole, or in part at any time during the Option Period by notice in writing from the Subscriber to the Company (“**Bond Subscription Notice**”), provided that for each Bond Subscription Notice delivered, the minimum amount of the Bonds subscribed for, shall be S\$250,000.
5. **Bonds and Status.** Subject to completion of the Bond Subscription (“**Bond Completion**”), the Bonds shall constitute the direct, unconditional and unsecured obligation of the Company, ranking *pari passu* with all the Company’s other present and future unsecured and unsubordinated indebtedness (other than indebtedness preferred by operation of law) and without preference among themselves, pursuant to the terms and subject to the conditions of the Agreement and the Subscriber may exercise the Option by notice in writing to the Company. The Bonds shall only be issued to the Subscriber and are not transferrable and the Bonds shall not be listed on any stock exchange.
6. **Interest.** Interest shall accrue on the outstanding principal value of the Bonds that have not been converted or redeemed in accordance with the Agreement, non-compounded, at the rate of 5% per annum calculated on the basis of the actual number of days elapsed on a 365-day year until the date of conversion or Maturity Date (as the case may be), payable in cash by the Company to the Subscriber on the earlier of (i) the date of conversion or (ii) the date falling every consecutive six months after the Bond Completion Date (“**Interest**”).
7. **Redemption.** Unless previously converted in accordance with the Agreement, the Bonds shall all be redeemed by the Company on the Maturity Date (and not before) by payment of the outstanding principal value of the Bonds and all accrued Interest thereof to the Subscriber in cash.
8. **Subscriber’s Aggregate Interests.** On the assumption that the Subscriber exercises the option to subscribe for all the Bonds and thereafter, converts all the Bonds into Conversion Shares immediately after the date of the Agreement, the Conversion Shares will represent 111,111,111 new ordinary shares in the issued and paid-up share capital of the Company, amounting to 4.69% of the issued share capital of the Company on an

enlarged basis (excluding the Subscription Shares). Assuming completion of the Share Subscription and including the Subscription Shares with the Conversion Shares, the Subscriber would have a total direct interest of 8.96% of the issued share capital of the Company on an enlarged basis.

Offer pursuant to section 272B of the Securities and Futures Act (Cap 289) (“SFA”)

9. The Subscription Shares and Bonds are being offered pursuant to the exemptions in section 272B of the SFA.

Authority for Issuance of Subscription Shares and Conversion Shares

10. The Subscription Shares and Conversion Shares will be issued and allotted to the Subscriber by the Company pursuant to the authority granted to the Board by the Company’s shareholders (“**Shareholders**”) at the Company’s annual general meeting on 28 October 2011 (“**AGM**”) under section 161 of the Companies Act (Cap. 50) (“**Act**”), as may be renewed by the Shareholders at each subsequent annual general meeting of the Company (“**General Mandate**”) PROVIDED THAT an extraordinary general meeting of the Company’s shareholders will be held to consider, and if thought fit, to specifically approve the issuance and allotment of the Conversion Shares pursuant to the Agreement if the Subscriber is a substantial shareholder (as defined in the Act) of the Company prior to conversion of any Bonds, in which case, a shareholders’ circular will be issued to provide the Company’s shareholders further details.

Conditions Precedent

11. The Share Completion and Bond Completion (as the case may be) shall be subject to the fulfillment and satisfaction (or waiver by the respective entitled party) of, *inter alia*, the conditions set out below:
 - (a) The respective representations and warranties of each party to the Agreement being true and accurate as at the date of the Agreement and on and as of the Share Completion Date or Bond Completion Date (as the case may be), and each party having performed and complied with all their respective undertakings set out in the Agreement on or prior to the Share Completion Date or Bond Completion Date (as the case may be);
 - (b) All required consents and approvals for the transactions under the Agreement having been obtained without conditions, restrictions or limitations and being in full force and effect, and if any conditions, restrictions or limitations are imposed, such being reasonably acceptable to the parties, in particular, and without limitation:
 - (i) the approval of each party’s respective board of directors for the entering into of the Agreement and the transactions under the agreement;
 - (ii) the General Mandate being sufficient for the issue and allotment of the Subscription Shares and Conversion Shares (as the case may be);
 - (iii) the approval of the Sponsor and the SGX-ST for the issuance, allotment, listing and quotation of the Subscription Shares and Conversion Shares (as the case may be) on Catalist having been obtained by the Company and such approval not having been withdrawn, revoked or amended and where such approval is subject to conditions, such conditions being reasonably acceptable to the parties and, to the extent that any

conditions are required to be fulfilled, they are so fulfilled prior to Share Completion Date or Bond Completion Date (as the case may be);

- (iv) all licenses, consents, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all relevant government bodies, statutory authorities or regulatory, administrative or supervisory bodies (including, without limitation, the Sponsor, MAS and SIC), third party contractors, counterparties, financing or facility providers of the Company as may be required for or in connection with the issuance, allotment, listing and quotation of the Subscription Shares and Conversion Shares (as the case may be) having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being reasonably acceptable to the Parties and are fulfilled on or before Share Completion Date or Bond Completion Date (as the case may be);
 - (v) the specific approval of the Company's shareholders for the issue and allotment of the Conversion Shares to the Subscriber as would be required if the Subscriber is a substantial shareholder of the Company prior to conversion of any Bonds;
- (c) There having been, as at the Share Completion Date or the Bond Completion Date (as the case may be), no Material Adverse Change (as defined in the Agreement), or any development likely to result in any Material Adverse Change, in the condition, financial or otherwise, of the Company from that existing as at the Accounts Date (as defined in the Agreement) nor any material breach by the Company of any of its obligations under this Agreement, and
- (d) The Subscriber not belonging to any of the following categories of persons, unless specifically approved by the Shareholders:
- (i) the Company's directors and substantial shareholders;
 - (ii) immediate family members of the Company's directors or substantial shareholders;
 - (iii) substantial shareholders, related companies (as defined in section 6 of the Act), associated companies and sister companies of the Company's substantial shareholders, and
 - (iv) corporations in which the directors and/or substantial shareholders (including their immediate family members) of the Company have an aggregate interest (beneficial or legal) of 10% or more.

Representations and Warranties

12. Under the Agreement, the parties have given representations, warranties and undertakings typical for transactions such as the Proposed Transactions.

Use of Proceeds

13. The Company shall use the proceeds from the Proposed Transactions for the Group's general working capital purposes and to fund business growth and investment opportunities as and when they arise.

14. Pending the deployment of the net proceeds, such proceeds may be placed as deposits with financial institutions in short term money markets or debt instruments or for any other purposes on a short term basis, but in accordance with the terms of the Agreement, as the Directors may, in their absolute discretion, deem fit.

Working Capital

15. The Directors are of the opinion that after taking into consideration the present financial position of the Group, including its banking facilities, its bank and cash balances, and the net proceeds of the Proposed Transaction, the Group has adequate working capital for its present requirement.

Information on the Subscriber

16. The Subscriber is an investment holding company listed on Catalist with Mr Lye Chee Fei Anthony, acting as Chief Executive Officer and Executive Director. The Subscriber's core businesses are in the provision of ordnance and security services, and Original Design and Manufacturing of consumer electronic products. Prior to the Agreement, the Subscriber has had no previous business dealings with the Company.
17. The Subscriber is investing in the Company, at arm's length, as a new strategic investor.

Directors, Controlling Shareholders' and Substantial Shareholders' Interests

18. Save for their respective interests in the issued shares in the capital of the Company (as the case may be), none of the Directors, controlling shareholders or substantial shareholders of the Company has any interest, direct, or indirect in the Proposed Transactions.

Further Steps and Announcements

19. Subject to all required consents and approvals for the Proposed Transactions being obtained, the Company will be submitting an application to the SGX-ST through its Continuing Sponsor for the listing and quotation of the Subscription Shares and Conversion Shares (as may be required) on Catalist shortly and the Company will make further announcements on the Proposed Transactions at the appropriate time.

BY ORDER OF THE BOARD

CHNG WENG WAH
Executive Director
18 January 2012