



# Equation

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

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- (I) **CONVERTIBLE BOND AGREEMENT DATED 23 DECEMBER 2016 ("AGREEMENT") FOR THE PROPOSED SUBSCRIPTION OF REDEEMABLE CONVERTIBLE BONDS INTO SHARES IN THE COMPANY BY WANG YU HUEI ("INVESTOR A"), TANG WEE LOKE ("INVESTOR B"), LEE TEONG SANG ("INVESTOR C") AND TSAI YI-CHEN ("INVESTOR D") (COLLECTIVELY, "INVESTORS" OR "BONDHOLDERS")**
  - (II) **THE PROPOSED CAPITAL REDUCTION EXERCISE TO REDUCE THE SHARE CAPITAL OF THE COMPANY**
  - (III) **THE PROPOSED CONSOLIDATION OF EVERY FIFTY (50) EXISTING ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY SHAREHOLDERS OF THE COMPANY ("SHAREHOLDERS") AT A BOOKS CLOSURE DATE TO BE DETERMINED, INTO ONE (1) ORDINARY SHARE IN THE CAPITAL OF THE COMPANY, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED**
  - (IV) **EXECUTION OF NON-BINDING LETTER OF INTENT IN RELATION TO THE PROPOSED SALE OF FOUR (4) ENTITIES BY THE COMPANY TO BRONZE HOLDINGS LIMITED ("BHL")**

**(COLLECTIVELY, "PROPOSED TRANSACTIONS")**

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## **INTRODUCTION**

1. The Board of Directors ("**Board**") of Equation Summit Limited ("**Company**") (together with its subsidiaries referred to as "**Group**") is pleased to announce the following:
  - (i) that the Company had on 23 December 2016, entered into the Agreement for the proposed subscription of redeemable convertible bonds convertible into ordinary shares in the capital of the Company ("**Shares**"), by the Investors, pursuant to which the Company proposed to issue to the Investors 4 redeemable convertible bonds

having an aggregate principal value of S\$12 million (“**Bonds**”) (“**Proposed Bond Subscription**”);

- (ii) that the Company proposes to undertake a capital reduction exercise (the “**Proposed Capital Reduction**”) pursuant to Section 78A read with Section 78C of the Companies Act (Cap 50) of Singapore (“**Companies Act**”) by reducing and cancelling the share capital of the Company, which is unrepresented by available assets to the extent of S\$135,571,000 as at 30 September 2016 (“**Accumulated Losses**”);
- (iii) that the Company proposes to undertake a share consolidation of every fifty (50) existing Shares as at a books closure date to be determined by the Directors (“**Books Closure Date**”) into one (1) consolidated share (“**Consolidated Share**”), fractional entitlements to be disregarded (“**Proposed Share Consolidation**”); and
- (iv) that the Company had entered into a non-binding letter of intent (“**LOI**”) on 23 December 2016 with Bronze Holdings Limited (“**BHL**”) in respect of the proposed sale of Equation Recycling Pte Ltd, Equation Energy Pte Ltd, Citrine System (S) Pte Ltd and Citrine Solution Pte Ltd (collectively, the “**Entities**”) to BHL (“**Proposed Disposal**”). The LOI outlines the basis for a definitive agreement to be concluded between the Company and BHL, and, save for certain provisions relating to confidentiality, publicity, governing law and jurisdiction, the LOI does not impose any legally binding or enforceable obligations on the Company and BHL (collectively, “**LOI Parties**”).

## **PRINCIPAL TERMS OF THE PROPOSED TRANSACTIONS**

### **2. PROPOSED BOND SUBSCRIPTION**

2.1. The principal terms of the Proposed Bond Subscription are summarised as follows:

- Subscription Amount : S\$12 million.
- Issue Price : 100% of the aggregate Subscription Amount of the Bonds.
- Conversion Price : S\$0.011, subject to adjustments in accordance with the provisions of the Agreement. The Conversion Price was agreed to by the parties to the Agreement (“**Parties**”) at arm’s length basis with reference to the current market price. The Conversion Price is on par with the volume weighted average price of S\$0.011 for trades done on the Company’s shares on the SGX-ST for the full market day on 20 December 2016 (being the last full market day prior to the trading halt and signing of the Agreement) up to the time of the trading halt.
- Conversion Shares : Such number of Shares to be allotted and issued by the Company to the Bondholders upon Conversion, determined by dividing each Investor’s respective proportion of the Subscription Amount over the Conversion Price. Please refer to paragraph 4.3 of this Announcement for more details of the resultant number of Shares held by the Bondholders pursuant to Conversion and post-Proposed Share Consolidation.

Closing Date : A date falling not later than 3 business days after all of the Conditions Precedent (as defined below) have been fulfilled or waived, or such other date as may be agreed to in writing by the Parties on which the Bonds will be issued to the Investors by the Company in exchange for payment of the aggregate Subscription Amount by the Investors to the Company.

Interest : Simple interest shall accrue on the outstanding principal value of the Bonds that have not been Converted or redeemed in accordance with the terms of the Agreement, non-compounded, at the rate of 9% per annum, payable in cash by the Company to the Bondholder, on the dates falling on (a) the first anniversary of the Closing Date, and (b) the earlier of the date of Conversion or Maturity Date ("**Interest**").

In lieu of receiving payment of Interest in cash, each Bondholder may, at his option, elect to have all Interest due to him, satisfied by way of allotment and issuance to him by the Company of such number of Shares as is equivalent to such amount of Interest divided by the Conversion Price ("**Interest Shares**").

Maturity Date : The date falling on the second anniversary of the date of the Agreement, being 23 December 2018.

Conversion Period : The continuous period beginning on the day immediately after the first anniversary of the date of the Agreement to 5.00 pm on the day immediately before the Maturity Date.

Status of the Bonds : The Bonds will constitute the direct, unconditional and unsecured obligation of the Company and shall rank *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. The Bonds do not confer on the Bondholders, any rights or entitlements to participate in any distribution and/or offer of further securities of the Company.

Adjustments to Conversion Price : The Conversion Price will be subject to adjustments under certain events provided for in the Agreement in accordance with the following formula:

$$\text{NCP} = \text{CP} \times \frac{\text{OSC}}{\text{NSC}}$$

where:

**NCP** : is the new Conversion Price;

**CP** : is the Conversion Price;

**OSC** : is the entire share capital of the Company immediately before such event, and

**NSC** : is the entire share capital of the Company immediately after such event.

Such events include, without limitation, consolidation or subdivision of the Shares, bonus issue, capitalisation of profits or reserves, rights issues and other issues to all Shareholders on a pro-rata basis and new issues of Shares of more than 10% of the Company's enlarged share capital other than a pro-rata basis. Any such adjustments shall be announced by the Company on the SGXNET.

- Conversion : The Bondholders may convert their respective Bonds (in whole but not in part) into Conversion Shares, at any time other than a Books Closure Period (as defined in the Agreement) during and not before (save in the event of a Take-over of the Company (as defined in the Agreement)) the Conversion Period, by giving 14 business days' written notice of Conversion to the Company ("**Conversion**").
- Status of the Conversion Shares and Interest Shares : The Conversion Shares and Interest Shares, when issued, will rank *pari passu*, with all then existing Shares, free from any encumbrances.
- Redemption : Unless previously Converted in accordance with the terms of 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 each of the Bondholders in cash, subject to any fiscal, taxation or other laws and regulations applicable to the Company.
- Non-transferability : The Bonds shall only be issued to the Investors and are not transferrable. Title to the Bonds shall be evidenced by registration in the Company's register of bondholders.
- Listing Status : The Bonds shall not be listed on any stock exchange.
- No modification of Agreement : No amendment or variation of the Agreement shall be effective unless in writing and signed by or on behalf of each Party and no material alteration to the terms of the Agreement and/or the Bonds to the advantage of the Bondholders (save as already provided for in the Agreement) may be made without the express approval of the Shareholders.
- Termination : Notwithstanding any other provisions in the Agreement, the Parties may, by mutual agreement, terminate the Agreement in writing signed by the Parties, which termination agreement shall provide for the redemption of any Bonds that have not been Converted, together with all accrued Interest thereof,

whereupon full payment by the Company, the Agreement shall terminate and the Parties shall be released and discharged from their respective obligations hereunder (except for their respective obligations, covenants or undertakings which, pursuant to the terms of the Agreement, are to expressed to survive such termination).

## 2.2. Offer pursuant to section 275(1A) of the Securities and Futures Act (Cap 289) (“SFA”)

The Proposed Bond Subscription including the allotment and issuance of the Conversion Shares and Interest Shares to the Investors, is entered into pursuant to the exemptions under section 275(1A) of the SFA.

## 2.3. Conditions Precedent

The Proposed Bond Subscription is subject to, *inter alia*, the following conditions (the “**Conditions Precedent**”):-

- (a) The respective representations and warranties of each Party to the Agreement being true and accurate in all material respects on and as of the Closing Date, with the same force and effect as though made on and as of the Closing Date, and each Party having performed and complied with all their respective undertakings, covenants and agreements set out in the Agreement on or prior to the Closing Date;
- (b) All required consents and approvals for the transactions under the Agreement having been obtained without restrictions or limitations whatsoever that are unacceptable to the Parties, and being in full force and effect, in particular, and without limitation:
  - (i) the approval of the Company’s Board of Directors for the entering into of the Agreement and the transactions under the Agreement and any related transactions in relation thereto;
  - (ii) specific approval from the Shareholders to be obtained by the Company at an extraordinary general meeting (“**EGM**”) to be convened in due course for the transactions under the Agreement and any transactions in relation thereto and for the allotment and issuance of all the Conversion Shares and Interest Shares to the Investors in accordance with the terms and conditions of the Agreement;
  - (iii) the approval of the SGX-ST for, amongst other things, the allotment, issuance and listing and quotation of the Conversion Shares and Interest Shares 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 for the listing and quotation of the Conversion Shares and Interest Shares on Catalist are required to be fulfilled, they are so fulfilled prior to the Closing Date;
  - (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 SGX-ST, Monetary Authority of Singapore (“**MAS**”) and the Securities Industry Council of

Singapore (“**SIC**”), third party contractors, counterparties, financing or facility providers of the Company as may be required for or in connection with (A) the entering into of the Agreement by the Company, the transactions under the Agreement and any related transactions in relation thereto, and (B) the allotment, issuance, listing and quotation of the Conversion Shares and Interest Shares on Catalyst, all 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 the Closing Date; and

- (v) no relevant Regulator (as defined in the Agreement) taking, instituting, implementing or threatening to take, institute or implement any action, enforcement, proceeding, suit, investigation, inquiry or decision, and no statute, regulation, decision, ruling, award, direction or order having been made, proposed, enacted or implemented, and no steps having been taken, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, direction or order which would or might:
  - (A) make any transaction contemplated in the Agreement or any other transactions in connection herewith and incidental hereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same, and/or
  - (B) render the Investors unable to be allotted and issued all or any of the Conversion Shares and/or Interest Shares in the manner set out in the Agreement.

In the event any of the Conditions Precedent is not satisfied or waived by the respective entitled Party on or before the Closing Date, the Agreement shall be deemed to be terminated.

Further details on the terms of the Agreement will be set out in a circular to be issued by the Company and to be despatched to the Shareholders in due course, for the purpose of obtaining the approval of Shareholders in respect of the Proposed Bond Subscription at the EGM to be convened.

#### **2.4. Representations and Warranties**

Under the Agreement, the Parties have given representations, warranties and undertakings typical for transactions such as the Proposed Bond Subscription.

#### **2.5. Rationale and Use of Proceeds**

The Company shall use the proceeds from the Proposed Bond Subscription for the expansion of Disa Digital Safety Pte. Ltd. (“**Disa**”), a subsidiary of the Group, through acquisitions and joint ventures.

The estimated net proceeds to be raised from the Proposed Bond Subscription, after deducting estimated fees and expenses of approximately S\$100,000, is approximately S\$11.9 million.

Pending deployment of the net proceeds from the Proposed Bond Subscription, 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.

The Company will make periodic announcements on the utilisation of the net proceeds as and when the net proceeds from the Proposed Bond Subscription are materially disbursed and whether such a use is in accordance with the stated use. Where there is any material deviation from the stated use of the proceeds, the Company will announce the reasons for such deviation. The Company will also provide a status report on the use of the net proceeds in its annual reports, if applicable.

## 2.6. Information on the Investors

Investors	Subscription Amount	Maximum Amount of Accrued Interest	Maximum number of Conversion Shares and Interest Shares that may be issued	% of Conversion Shares and Interest Shares over the enlarged share capital of 8,077,034,523 Shares assuming Pre-Proposed Share Consolidation
Wang Yu Huei	S\$5,500,000	S\$ 990,000	590,000,000	7.31
Tang Wee Loke	S\$3,000,000	S\$ 540,000	321,818,182	3.98
Lee Teong Sang	S\$500,000	S\$ 90,000	53,636,364	0.66
Tsai Yi-Chen	S\$3,000,000	S\$ 540,000	321,818,182	3.98
Total	S\$ 12,000,000	S\$ 2,160,000	1,287,272,728	15.93

Investor A is Wang Yu Huei (“**Mr Wang**”). Mr. Wang is a businessman in Singapore, who engages in business consultancy and investment activities. Mr. Wang is a director and the single largest controlling shareholder of Asdew Acquisition Pte Ltd.

Investor B is Tang Wee Loke (“**Mr Tang**”). Mr Tang was the research manager and, later, a director of Kay Hian & Co (Pte) Ltd. Subsequent to his retirement, he became a non-executive director of UOB Kay Hian Holdings Ltd. He served on the SGX-ST board as an independent director from 2002 to 2007. He was the founder chairman of the Securities Association of Singapore, which represents the interest of securities trading members in Singapore.

Investor C is Lee Teong Sang (“**Mr Lee**”). Mr. Lee is an accredited investor with experience in the financial industry. Mr Lee used to be an analyst with GK Goh Stockbrokers Pte Ltd.

Investor D is Tsai Yi-Chen (“**Ms Tsai**”). Ms Tsai is an experienced venture investor focusing on the technology sector. She is the vice president of a venture capital investor in Greater China TMT industry.

As at the date of this announcement, Mr Wang has an existing direct interest in 9.86% of the voting rights in the Company and Mr Tang has an existing deemed and direct interest in 4.51% of the voting rights in the Company.

Accordingly, Mr Wang is a substantial shareholder as described under Rule 812(1)(a) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Listing Manual**"), and the allotment and issuance of any Conversion Shares and Interest Shares to him pursuant to the Conversion of the Bonds is subject to Shareholders' approval at the EGM.

Mr Lee and Ms Tsai were identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid for such introductions. Mr Tang, Mr Lee and Ms Tsai do not fall within any of the categories as set out in Rule 812 of the Listing Manual.

Prior to the Agreement and save for Mr Wang's and Mr Tang's respective interests as Shareholders, the Investors have had no previous business, commercial or trade dealings with the Company. The Investors are investing in the Company, at arm's length, as existing and new strategic investors respectively.

## **2.7. Authority for allotment and issuance of Conversion Shares and Interest Shares**

The maximum number of Conversion Shares and Interest Shares, when issued, will represent approximately 18.96% of the issued share capital of the Company comprising 6,789,761,795 Shares as at the date of this announcement and will represent approximately 15.93% of the enlarged issued share capital of the Company comprising 8,077,034,523 Shares after the allotment and issue of the Conversion Shares and Interest Shares assuming pre-Proposed Share Consolidation.

Pursuant to Catalist Rule 805(1), specific authority for the allotment and issuance of all the Conversion Shares and Interest Shares to the Investors will be sought from the Shareholders at the EGM.

## **2.8. Confirmation by Directors**

The Directors are of the opinion that after taking into consideration the present financial position of the Group, including:

- (i) its banking facilities, its bank and cash balances, the Group has adequate working capital for its present requirements; and
- (ii) the present bank facilities and net proceeds of the Proposed Bond Subscription, the working capital available to the Group is sufficient to meet its present requirements.

## **2.9. Documents for Inspection**

A copy of the Agreement will be available for inspection during normal business hours at the Company's registered address at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 for a period of three months from the date of this announcement.

## **3. PROPOSED CAPITAL REDUCTION**

### **3.1 Rationale and Details of the Proposed Capital Reduction**



The purpose of the Proposed Capital Reduction is to write off the Accumulated Losses with a view to restructuring the finances of the Company. This serves to rationalise the balance sheet of the Company to reflect more accurately the value of its underlying assets, and thus the financial position of the Company. In addition, the Proposed Capital Reduction will facilitate future equity-related fund raising exercises to recapitalise and strengthen the balance sheet of the Company. The Company would be in a better position to retain profits and enhance its ability to pay future dividends if the Accumulated Losses are written off. The Directors will take into consideration the present and future funding needs of the Company, and the Group before declaring any dividends.

The Proposed Capital Reduction will be effected in the following manner:

- (a) by reducing the share capital of the Company from S\$154,474,000 to S\$18,903,000 by the cancellation of the share capital of the Company that has been lost or is unrepresented by available assets to the extent of S\$135,571,000; and
- (b) thereafter by applying an amount equal to S\$135,571,000 being the credit arising from the cancellation of the share capital of the Company, towards the writing-off of the Accumulated Losses of S\$135,571,000.

Such Accumulated Losses arose mainly from the accumulated loss arising from the reverse take-over of S\$99,476,000 in year 2004 as well as losses incurred over the past ten years, amounting to S\$135,571,000, in total, for the financial period ended 30 September 2016, as announced by the Company on 2 November 2016.

Losses incurred over the years included impairment assessment for investment in subsidiaries was performed in accordance with Financial Reporting Standard 36 Impairment of Assets to determine the recoverable amount of the investment, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal was used to determine the recoverable amount as it is the higher of the two methods.

The accumulative impairments were shown in the Company's audited financial statement for the financial year ended 30 June 2016 as announced on 12 October 2016.

The Proposed Capital Reduction will reduce the Company's accumulated losses as at 30 September 2016 by the cancellation of the share capital of the Company to the extent of S\$135,571,000.

There will be no change to the total number of Shares held by the Shareholders immediately after the Proposed Capital Reduction, nor will the Proposed Capital Reduction involve the payment to any Shareholders of any paid-up share capital of the Company.

### 3.2 Financial Effects of the Proposed Capital Reduction

The financial effects of the Proposed Capital Reduction are set out below. The financial effects of the Proposed Capital Reduction as illustrated, are based on, *inter alia*, the assumption that the Proposed Capital Reduction was completed on 30 September 2016.

#### (a) Share Capital

Share Capital	As at 30 September 2016	
	No. of Shares (including Shares	S\$

	<b>held as treasury Shares)</b>	
Before the Proposed Capital Reduction	5,113,729,645	154,474,000
After the Proposed Capital Reduction and before the Proposed Share Consolidation	5,113,729,645	18,903,000

The Proposed Capital Reduction will reduce the paid-up share capital of the Company by S\$135,571,000 to write off the Accumulated Losses. **The number of issued Shares and the percentage of Shares held by Shareholders will remain unchanged immediately after the Proposed Capital Reduction and before the Proposed Share Consolidation. No capital will be returned to the Shareholders.**

**(b) Shareholders' Fund**

	<b>As at 30 September 2016</b>			
	<u>Group</u>		<u>Company</u>	
	<b>Before the Proposed Capital Reduction (S\$'000)</b>	<b>After the Proposed Capital Reduction and before the Proposed Share Consolidation (S\$'000)</b>	<b>Before the Proposed Capital Reduction (S\$'000)</b>	<b>After the Proposed Capital Reduction and before the Proposed Share Consolidation (S\$'000)</b>
Share Capital	154,474	18,903	154,474	18,903
Treasury Shares	-	-	-	-
Share option reserve	54	54	54	54
Currency translation reserve	(25)	(25)	-	-
Other reserve	4,377	4,377	3,641	3,641
Accumulated (losses)/retained earnings	(133,652)	1,919	(135,571)	-
<b>Shareholders' Fund</b>	<b>25,228</b>	<b>25,228</b>	<b>22,598</b>	<b>22,598</b>

The Proposed Capital Reduction will not have any impact on the Net Tangible Assets per Share, Earnings per Share and gearing of the Company and the Group.

**4. PROPOSED SHARE CONSOLIDATION**

**4.1. Rationale**

The Proposed Share Consolidation is intended to rationalise the share capital of the Company by reducing the number of Shares outstanding. The absolute price of the Shares of the Company traded on the SGX-ST has also been closing at a low level, with the last

traded Share prices ranging between S\$0.003 and S\$0.012 in the past 6 months prior to the date of this Announcement. The table below shows the highest and lowest market prices, and the volume for the past 6 months. Low traded share prices translate to higher transaction costs, relative to the trading price, for each trading of one board lot of shares.

	Highest (S\$)	Lowest (S\$)	Volume of traded Shares (‘million)
July 2016	0.005	0.003	58
August 2016	0.005	0.003	31
September 2016	0.005	0.002	78
October 2016	0.010	0.004	487
November 2016	0.013	0.009	760
December 2016	0.012	0.010	202

The Directors believe that the Proposed Share Consolidation will generally be beneficial to the Company and the Shareholders as it may serve to reduce the fluctuation in magnitude of the Company’s market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares.

In addition, the Proposed Share Consolidation may also increase market interest and activity in the Shares, and generally make the Shares more attractive to investors, including institutional investors, thus providing a more diverse shareholder base. Accordingly, the Directors believe that the Proposed Share Consolidation would be beneficial to the Company and the Shareholders.

**However, Shareholders should note that there is no assurance that the Proposed Share Consolidation will achieve the desired results, nor is there assurance that such results (if achieved) can be sustained in the longer term.**

#### **4.2. Details of the Proposed Share Consolidation**

Under the Proposed Share Consolidation, every fifty (50) existing Shares registered in the name of each Shareholder as at the Books Closure Date will be consolidated into one (1) Consolidated Share. Each Consolidated Share will rank *pari passu* in all respects with the then existing Shares and with each other. The Consolidated Shares will be traded in board lots of 100 Consolidated Shares.

Shareholders should note that the number of Consolidated Shares which they are entitled to, based on their holdings of the Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be disregarded. Fractions of a Consolidated Share arising from the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

The Directors intend to effect the Proposed Share Consolidation subject to and upon successful completion of the Proposed Capital Reduction.

As at the date of this Announcement, the issued share capital of the Company is S\$168,029,000 divided into 6,789,761,795 Shares. Following the completion of the Proposed Capital Reduction and the Proposed Share Consolidation, the Company will have an issued share capital of S\$32,458,000 divided into 135,795,235 Consolidated Shares. The Proposed Share Consolidation of itself will have no impact on the issued and paid-up share capital of the Company.

For illustrative purposes, the market price of the Shares as at the close of the preceding market day on 20 December 2016 on which the Shares were traded on the SGX-ST is S\$0.011, and upon completion of the Proposed Capital Reduction and Proposed Share Consolidation, the theoretical share price of each Consolidated Share is S\$0.550.

The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Company and its subsidiaries.

**Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation.**

#### **4.3. Effects of the Proposed Share Consolidation on the Conversion of the Bonds**

As any Conversion of the Bonds will only take place during the Conversion Period which is expected to take place after the completion of the Proposed Share Consolidation, the Conversion Price shall be adjusted as a result of the Proposed Share Consolidation in the manner set out in the Agreement, and accordingly, the number of Conversion Shares and Interest Shares (as the case may be) to be allotted and issued to the Bondholders will also be adjusted. Details of such adjustments will be announced in due course upon completion of the Proposed Share Consolidation.

Assuming there are no other events triggering adjustment of the Conversion Price, the following table shows the resultant number of Shares and percentage of voting rights of the respective Bondholders upon Conversion post-Proposed Share Consolidation.

Investor	Existing deemed and direct interest in voting rights in the Company		Assuming (i) full Conversion of all Bonds into Conversion Shares, and (ii) election by the Investors for all interest to be received as Interest Shares, collectively as adjusted pursuant to the terms for adjustment under the Agreement, post-Proposed Share Consolidation	
	No. of Shares	% of voting rights	No. of Shares	% of voting rights
<b>Mr Wang</b>	669,177,200	9.86	25,183,544	15.59
<b>Mr Tang</b>	306,000,000	4.51	12,556,363	7.77
<b>Mr Lee</b>	-	-	1,072,727	0.66
<b>Ms Tsai</b>	-	-	6,436,363	3.98

As the full Conversion of all Mr Wang's Bonds, together with an election to receive Interest in Interest Shares by Mr Wang will result in his aggregate voting rights crossing 15.0% in the entire enlarged share capital of the Company, Shareholders' approval will be sought at the EGM for the transfer of a controlling interest in the Company to Mr Wang.

#### 4.4. Trading Arrangements For Odd Lots

All fractional entitlements arising from upon the implementation of the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of the Company.

The Shares are currently traded in board lots of 100 Shares. Following the Proposed Share Consolidation, the Securities Accounts maintained with CDP of Shareholders (being Depositors) may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of 100 Shares).

Shareholders who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade in odd lots on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the unit share market which, following the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of 1 Consolidated Share.

#### 4.5. Adjustments to Convertibles

The Company has the following convertible securities ("**Convertible Securities**") for which adjustments will be made to take into account the effects of the Proposed Share Consolidation in accordance with the respective terms of the Convertible Securities.

- (a) **Employee Share Option Scheme 2010.** Pursuant to the Equation Share Option Scheme 2010 ("**ESOS 2010**"), 36,000,000 new Shares would be issued and allotted upon the exercise of outstanding options ("**Options**") granted under the ESOS 2010, and payment of the exercise price in respect of those Options by the holders of the Options. The Company will make the relevant adjustments to the number of and/or exercise price of these Options pursuant to the terms of the ESOS 2010, to take into account the effects of the Proposed Share Consolidation. Details of such adjustments will be announced in due course upon completion of the Proposed Share Consolidation.
- (b) **Sculptor Agreement.** On 4 April 2012, the Company announced that it had entered into a convertible loan agreement ("**Sculptor Agreement**") with Disa and Sculptor Finance (MD) Ireland Limited, Sculptor Finance (AS) Ireland Limited, and Sculptor Finance (SI) Ireland Limited ("**Sculptor Investors**") on 2 April 2012, pursuant to which the Sculptor Investors agreed to grant to Disa (i) an initial loan of an aggregate principal amount of S\$7,000,000 ("**Sculptor First Tranche**") and, (ii) at the option of the Sculptor Investors ("**Sculptor Option**"), a further loan of an aggregate principal amount of S\$7,000,000 ("**Sculptor Second Tranche**", and collectively with the Sculptor First Tranche, the "**Convertible Loans**"). Both the Sculptor First Tranche and, upon exercise of the Sculptor Option and grant of the Sculptor Second Tranche, the Sculptor Second Tranche are convertible at the Sculptor Investors' discretion in whole or in part into either (a) new Shares ("**Sculptor Exchange Shares**") at any time, or (b) upon or prior to the trade sale or initial public offering of Disa, ordinary shares in Disa ("**Disa Exchange Shares**"), in accordance with the terms of the Sculptor Agreement.

On 17 November 2016, the Company announced that an agreement (“**Sculptor Supplemental Agreement**”) was entered into between Disa and the Sculptor Investors pursuant to which full repayment of the Sculptor First Tranche will be made to the Sculptor Investors by 30 November 2016 in cash while the accrued interest as of 31 October 2016 (“**Sculptor Interest**”) will be repaid by way of monthly repayments in cash commencing on 1 January 2017 and ending on 30 June 2018. Pursuant to the terms of the Sculptor Supplemental Agreement, such repayment by Disa to the Sculptor Investors shall constitute good and valid discharge of Disa’s repayment obligations to the Sculptor Investors under the Sculptor Agreement, upon which all rights accruing to the Sculptor Investors in respect of such repayments (including the right of conversion into ordinary shares of the Company or that of Disa) shall be fully and finally extinguished on 30 April 2017.

As at the date of this announcement, full repayment of the Sculptor First Tranche has been made and Disa will be making monthly repayments of the Sculptor Interest in accordance with the terms of the Sculptor Supplemental Agreement.

Notwithstanding the above, the rights accruing to the Sculptor Investors in respect of such repayments (including the right of conversion into ordinary shares of the Company or that of Disa) will only be fully and finally extinguished on 30 April 2017. Accordingly, the Company will make the relevant adjustments to the number of and/or exercise price of the Sculptor Exchange Shares pursuant to the terms of the Sculptor Agreement, to take into account the effects of the Proposed Share Consolidation. Details of such adjustments will be announced in due course upon completion of the Proposed Share Consolidation.

- (c) **Warrants.** As at the date of this announcement, the Company has 3,280,144,906 unexercised warrants (“**Warrants**”) pursuant to the deed poll dated 26 June 2015 executed by the Company for purposes of constituting the Warrants (“**Deed Poll**”). Pursuant to the terms and conditions of the Deed Poll (each, a “**Condition**”), the Proposed Share Consolidation will constitute an event giving rise to adjustments to the exercise price payable for each new Share on the exercise of the Warrants and the number of Warrants.

The adjustments to the exercise price payable for each new Share on the exercise of the Warrants and the number of Warrants shall be in accordance with the provisions of Condition 5(B) of the Deed Poll.

The adjustments will be effective from the close of the market day immediately preceding the date on which the Proposed Share Consolidation becomes effective. Pursuant to the Deed Poll, any adjustment to the number of Warrants held by each Warrant holder will be rounded downwards to the nearest whole Warrant.

The Company will make further announcements in relation to these adjustments when appropriate. Shareholders are advised that the adjustments to the Warrants arise as a result of the Proposed Share Consolidation (in accordance with the terms of the Deed Poll). There will be no adjustments to the Warrants if the Proposed Share Consolidation is not effected.

## 5. PROPOSED DISPOSAL

### 5.1 Information on Purchaser

BHL is an investment holding company incorporated in Samoa. BHL is an existing shareholder of Citrine System (S) Pte Ltd (“CSSPL”).

## 5.2 Outline of Proposed Disposal

The non-binding LOI sets out the indicative intent between the Parties in relation to the Proposed Disposal as BHL has expressed interest in acquiring 60% of the issued and paid-up capital of Equation Recycling Pte Ltd (“ERC”), 70% of the issued and paid-up capital of Equation Energy Pte Ltd (“EEPL”), 50% of the issued and paid-up capital of CSSPL and 50% of the issued and paid-up capital of Citrine Solution Pte Ltd. (“CSPL”). ERC is in the business of recycling and trading of scrap metals, electronic and electrical waste products and EEPL is in the business of proving energy audit and management and marketing of environmentally-friendly systems. Both CSSPL and CSPL are in the business of research and development of computer software and hardware. After the Proposed Disposal, (i) ERC and EEPL will cease to be subsidiaries of the Company, and (ii) CSSPL and CSPL will cease to be joint venture companies of the Company.

The LOI and the Proposed Disposal is subject to, *inter alia*, the execution of a definitive agreement that will set out the material terms of the Proposed Disposal, including the purchase consideration, conditions precedent and required approvals.

The Company will release further announcements to inform Shareholders when there are material developments in respect of the Proposed Disposal in due course.

## 5.3 Rationale of the Proposed Disposal

The Proposed Disposal is intended to streamline the Group’s businesses for better utilisation of available resources, as it continues to focus on growing the technology segment.

## 6. DIRECTORS, CONTROLLING SHAREHOLDERS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

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.

## 7. APPROVALS

The Proposed Transactions are subject to, *inter alia*:

### Proposed Bond Subscription

- (a) the approval from SGX-ST for the listing and quotation of the Conversion Shares and the Interest Shares on Catalist;
- (b) the approval of Shareholders by ordinary resolution at an EGM of the Company to be convened, for the transactions under the Agreement and any transactions in relation thereto and for the allotment and issuance of all the Conversion Shares and Interest Shares in accordance with the Agreement;

- (c) the transfer of controlling interest in the Company to Mr Wang pursuant to the Proposed Bond Subscription, assuming the full conversion of the Conversion Shares and Interest Shares;

#### Proposed Capital Reduction

- (d) the approval of the Shareholders by way of a special resolution (“**Capital Reduction Resolution**”) at an EGM of the Company to be convened;
- (e) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act;
- (f) lodgement of the relevant documents with the Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”) after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution.

If during the six (6) weeks beginning with the Capital Reduction Resolution date, one or more applications for the cancellation of the Capital Reduction Resolution has been made under Section 78D(2) of the Companies Act, for the Proposed Capital Reduction to take effect, the following conditions must be satisfied:

- (i) the Company must give to the ACRA notice of the application(s) for the cancellation of the Capital Reduction Resolution as soon as possible after such application(s) have been served on the Company by the creditor(s);
- (ii) the proceedings in relation to each application for the cancellation of the Capital Reduction Resolution must be brought to an end by either the dismissal of the application under Section 78F of the Companies Act or without determination (for example, because the application has been withdrawn); and
- (iii) lodgement of the relevant documents with the ACRA within 15 days beginning with the date on which the last such proceedings were brought to an end in accordance with paragraph (ii) above;

#### Proposed Share Consolidation

- (g) the approval from the SGX-ST for the listing of and quotation for Consolidated Shares on Catalist; and
- (h) the approval of Shareholders by ordinary resolution at an EGM of the Company to be convened.

## **8. FURTHER STEPS AND ANNOUNCEMENTS**

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 Sponsor for the listing and quotation of the Conversion Shares and Interest Shares (as may be required) on Catalist and for permission to deal in and for the listing and quotation for the Consolidated Shares on Catalist. Subject to the receipt of the approval in-principle from the SGX-ST in connection with the Proposed Transactions, a circular containing, *inter alia*, the notice of the EGM and the details of the Proposed Transactions will be dispatched to the shareholders in due course. The Company will make further announcements at the appropriate time.



**9. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group, and the Board is not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

**10. CAUTION IN TRADING**

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

**BY ORDER OF THE BOARD**

**CHNG WENG WAH**  
Executive Director  
27 December 2016