

LINDETEVES-JACOBBERG LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 194700172G)

PROPOSED CAPITAL REDUCTION

1. INTRODUCTION

The Board of Directors of Lindeteves-Jacoberg Limited (the “**Company**”) wishes to announce that the Company is proposing to undertake a capital reduction to reduce the par value of each Share in the issued and paid-up share capital of the Company from S\$0.20 to S\$0.10 (the “**Capital Reduction**”).

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION EXERCISE

The proposed Capital Reduction will be undertaken pursuant to Section 73 of the Companies Act whereby the issued and paid-up share capital will be reduced from S\$57,559,471 divided into 287,797,353 ordinary shares of S\$0.20 each (“**Shares**”) to S\$28,779,735 divided into 287,797,353 ordinary shares of S\$0.10 each (“**New Shares**”).

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

- (a) by cancelling the issued and paid-up share capital of the Company which has been lost or is unrepresented by available assets to the extent of S\$0.10 for each of the 287,797,353 Shares; and
- (b) reducing the nominal amount of all ordinary shares, both issued and unissued, from S\$0.20 to S\$0.10 each.

Forthwith upon the Capital Reduction taking effect:-

- (a) an amount equal to S\$28,779,735.30 being the credit arising from the cancellation of the issued and paid-up share capital will be applied to write-off a portion of the accumulated losses of the Company which as at 31 December 2004 amounted to S\$74,498,000; and
- (b) the authorised share capital of the Company will be increased to its former capital of S\$100,000,000 by the creation of an additional 500,000,000 ordinary shares of S\$0.10.

There will be no change in the number of ordinary shares in the capital of the Company held by the shareholders immediately after the Capital Reduction exercise.

3. RATIONALE OF THE PROPOSED CAPITAL REDUCTION

The purpose of the Capital Reduction is to allow the Company to write off a part of its accumulated losses. The cancellation of the issued and paid-up capital no longer represented by available assets will rationalise the balance sheet of the Company. The Directors also believe that a reduction of the par value of the Shares will facilitate the Company in any future fund raising exercises which involve the issue of new Shares to potential investors.

In addition, the Company had on 27 August 2005 announced that it had *inter alia* entered into a subscription agreement (the “**Subscription Agreement**”) with ATB Austria Antriebstechnik AG (“**ATB**”) in connection with a proposed investment by ATB in the Company, and that in connection therewith, the Company intended to carry out

a debt restructuring exercise by way of a scheme of arrangement under Section 210 of the Companies Act (the “**Debt Restructuring Exercise**”).

Under the Subscription Agreement, it is intended that the Company shall allot and issue, and ATB shall subscribe for, 148,781,725 new Shares (the “**Subscription Shares**”) at an issue price of S\$0.1658 per Share (comprising an aggregate issue price of S\$24,668,010). Such Shares represents approximately 29.99% of the enlarged issued share capital of the Company.

The Subscription Agreement provides that the issue of such Shares to ATB shall be contemporaneous with the issue of an aggregate of 59,533,511 Shares, representing 12% of the enlarged share capital of the Company, to participating creditors pursuant to the Debt Restructuring Exercise.

As at the date of this announcement, the Companies Act provides that a company may not issue shares at a discount, unless it complies with the requirements set out in Section 68 of the Companies Act (which requires *inter alia* the authorisation of such issue of shares at a discount by a resolution passed in general meeting of the company and confirmed by an order of court). However, recent amendments to the Companies Act introduced by the Companies (Amendment) Act 2005 have *inter alia* abolished the concept of par value, and accordingly, there would no longer be the concept of a company issuing shares at a discount to its par value. The Accounting and Corporate Regulatory Authority has announced that the proposed date of implementation of the amendments to the Companies Act is 30 January 2006.

The Capital Reduction will facilitate the allotment and issue of the Subscription Shares at the issue price of S\$0.1658, in the event that completion of the subscription of the Subscription Shares is effected prior to the implementation of the amendments to the Act.

The Company's accumulated losses amounted to S\$74,498,000 as at 31 December 2004. The purpose of the Capital Reduction is also to reduce such accumulated losses of the Company as at 31 December 2004 by an amount of S\$28,779,735.30.

4. FINANCIAL EFFECT

For illustrative purposes only and based on the financial statements of the Company as of 31 December 2004, the financial effects of the Capital Reduction are as follows:-

(a) Share Capital

Assuming that the Capital Reduction was completed on 31 December 2004, the ordinary share capital of the Company as at 31 December 2004 would be as follows:-

	Before Capital Reduction Par value per share of \$0.20	After Capital Reduction Par value per share of \$0.10
Number of authorised ordinary shares	500,000,000	1,000,000,000
Authorised ordinary share capital (\$'000)	100,000,000	100,000,000
Number of issued and paid-up ordinary shares	287,797,353	287,797,353
Issued and paid-up ordinary share capital (\$'000)	\$57,559,471	\$28,779,735

(b) Shareholders' Funds

Assuming that the effect of the Capital Reduction was completed on 31 December 2004, the shareholders' funds of the Company as at 31 December 2004 would be as follows:-

	Before Capital Reduction \$'000	After Capital Reduction \$'000
Issued and paid-up ordinary share capital	57,559	28,780
Share premium	33,410	33,410
Foreign currency translation reserve	(2,460)	(2,460)
(Accumulated losses)	(74,498)	(45,719)
Total shareholders' funds	14,011	14,011

(c) Earnings, Net tangible assets ("NTA") and Gearing

The Capital Reduction does not have any financial effects on the earnings, NTA and gearing of the Company or the Group.

For illustrative purposes only and based on the unaudited financial statements of the Company as of 30 September 2005, the financial effects of the Capital Reduction are as follows:-

(a) Share Capital

Assuming that the effect of the Capital Reduction was completed on 30 September 2005, the ordinary share capital of the Company as at 30 September 2005 would be as follows:-

	Before Capital Reduction Par value per share of \$0.20	After Capital Reduction Par value per share of \$0.10
Number of authorised ordinary shares	500,000,000	1,000,000,000
Authorised ordinary share capital (\$'000)	100,000,000	100,000,000
Number of issued and paid-up ordinary shares	287,797,353	287,797,353
Issued and paid-up ordinary share capital (\$'000)	\$57,559,471	\$28,779,735

(b) Shareholders' Funds

Assuming that the effect of the Capital Reduction was completed on 30 September 2005, the shareholders' funds of the Company as at 30 September 2005 would be as follows:-

	Before Capital Reduction \$'000	After Capital Reduction \$'000
Issued and paid-up ordinary share capital	57,559	28,780
Share premium	33,410	33,410
Foreign currency translation reserve	-	-
(Accumulated losses)	(87,887)	(59,108)
Total shareholders' funds	3,082	3,082

(c) Earnings, NTA and Gearing

The Capital Reduction Exercise does not have any financial effects on the earnings, NTA and gearing of the Company or the Group.

5. CONDITIONS OF THE PROPOSED CAPITAL REDUCTION EXERCISE

The proposed Capital Reduction is subject to, among others, the following:-

- (a) the approval of Shareholders by the way of a special resolution at an extraordinary general meeting ("**EGM**") to be convened; and
- (b) the confirmation of the High Court for the Capital Reduction.

6. GENERAL

A circular to Shareholders, together with the notice of the EGM, to seek Shareholders' approval for the proposed Capital Reduction will be despatched to Shareholders in due course.

Submitted by Lathika Devi Amma d/o KR Pillay, to the SGX-ST on 15 December 2005.