

PROPOSED SUBSCRIPTION OF 148,781,725 NEW SHARES IN LINDETEVES-JACOBBERG LIMITED BY ATB AUSTRIA ANTRIEBSTECHNIK AG

I. INTRODUCTION

The board of directors (the "**Board**") of Lindeteves-Jacobberg Limited (the "**Company**") wishes to announce that the Company had on 27 August 2005 entered into a conditional subscription agreement (the "**Subscription Agreement**") with ATB Austria Antriebstechnik AG ("**ATB**"), to issue 148,781,725 new shares (the "**Subscription Shares**") at 16.58 cents each to ATB (assuming the completion of a proposed Capital Reduction Exercise (as described below)), such shares representing 29.99% of the enlarged capital of the Company, for an aggregate subscription consideration of approximately S\$24.7 million.

The issue price to ATB of 16.58 cents has been arrived at on a willing buyer and willing seller basis, with reference to the current market price, and represents a premium of 57.9% on the average closing price of the Company's shares in the last 3 trading days prior to the Company's request for a halt on trading on 24 August 2005, of 10.5 cents.

The Company had on the same date and in connection with the Subscription Agreement also entered into a conditional advance agreement (the "**Advance Agreement**") with ATB for an advance to be made by ATB to the Company of an aggregate amount of approximately S\$24.7 million in two tranches (the "**Advances**"). It is intended that the Advances will be set-off against the subscription consideration payable by ATB on completion of the subscription of the Subscription Shares.

As part of the proposed investment by ATB in the Company (the "**Proposed Investment**"), the Company intends to enter into a debt restructuring exercise with the Company's creditor banks and certain other creditors (collectively, the "**Creditors**") by way of a scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore (the "**Debt Restructuring Exercise**"). As part of the Debt Restructuring Exercise, the Company intends to convert part of the debts owed by it to the Creditors by issuing to the Creditors 59,533,510 new shares representing 12% of the enlarged capital of the Company.

INVESTORS ARE REQUESTED TO TAKE NOTE OF THE STATEMENT OF CAUTION IN PARAGRAPH IX BELOW.

II. RATIONALE FOR THE PROPOSED INVESTMENT

In the course of the past 18 months, the Company and its subsidiaries (the "**Group**") in its several announcements had stated that it faces a shortage of working capital and that it was critical that this shortage be addressed as quickly as possible. The Group also stated that when this shortage has been addressed, the Group will be able to take advantage of its order book and the benefits of the restructuring program completed in 2004.

The Board believes that the Proposed Investment by ATB, the proposed Debt Restructuring Exercise with the Creditors and other fund-raising initiatives being contemplated by the Company will address the Group's working capital shortage.

The Board believes that ATB's experience and knowledge of the European market will be beneficial to the Group since about 85% of the Group's motor business is concentrated in that market, and that the Group will also benefit from the knowledge and experience of ATB in the electric motor business.

III. ABOUT ATB

ATB, headquartered in Spielberg, Austria, is listed on the Stock Exchange of Vienna, Austria. It is one of the leading manufacturers of electrical motors and drive systems for industrial applications and appliances, with over 80 years of experience. Its principal operations are located in Germany, Austria, the Czech Republic, France, United Kingdom, Serbia and Montenegro. ATB currently has about 4,000 employees worldwide. Its substantial shareholder is A-Tec Industries, privately-owned Vienna-based international industrial group which manufactures electrical motors and machine tools.

IV. PROPOSED INVESTMENT

1. Key Terms Of The Advance Agreement

Conditions

The Advances shall be remitted to the Company in two tranches of S\$5 million (the "**First Tranche**") and approximately S\$19.7 million (the "**Second Tranche**").

(A) First Tranche

The disbursement of the First Tranche is conditional upon, *inter alia*, the following being satisfied (or waived) by 30 September 2005:

- (i) the execution of a share pledge agreement (the "**Schorch Charge**") in favour of ATB over the Company's entire interest in the shares (the "**Schorch Shares**") of Schorch Elektrische Maschinen und Antriebe GmbH ("**Schorch**"), which shares are held by the Company's subsidiary Lindeteves-Jacoberg Holding GmbH, as security for the repayment of the Advances and all other moneys owing under the Advance Agreement and the Schorch Charge;
- (ii) the receipt by ATB of letters from the creditors of the Company to whom the Company has owed negative pledge obligations under the financing documents entered into between the Company and such creditors granting a waiver of the Company's negative pledge obligations in respect of the Schorch Charge;
- (iii) the receipt by ATB of letters of undertaking from a majority in number of the Creditors representing three-fourths in aggregate value of indebtedness owing to the Creditors (the "**Majority Creditors**"), agreeing and confirming that the Advances shall rank in priority to the indebtedness owed by the Company to such Majority Creditors;
- (iv) the receipt by ATB of an irrevocable letter of undertaking from each Majority Creditor undertaking to approve, or, as the case may be, vote in favour of the Debt Restructuring Exercise;
- (v) there being no injunction or order served on the relevant parties prohibiting any of the transactions contemplated in connection with the Advance Agreement, the Schorch Charge, the Subscription Agreement and the Call Option Agreement (collectively, the "**Transaction Documents**");
- (vi) none of the Company, Lindeteves-Jacoberg Holding GmbH or Schorch shall have gone into liquidation whether compulsory or voluntary, no petition (other than that which is vexatious or of a frivolous nature) shall have been presented and remains outstanding and no order made for the appointment of a judicial manager, receiver and/or manager of any of the Company or Lindeteves-Jacoberg Holding GmbH or Schorch or over the whole or any part of the assets or undertaking of any of the Company or Lindeteves-Jacoberg Holding GmbH or Schorch (the "**Insolvency Events**"); and

- (vii) the receipt by ATB of reasonably satisfactory evidence that, based on the total amount of claims owing to the Creditors and the relevant exchange rates as at 30 June 2005 (and disregarding any subsequent exchange rate fluctuations), the total amount of claims to be written off pursuant to the Debt Restructuring Exercise shall not be less than S\$74,000,000 (comprising at least 40% of such claims).

(B) Second Tranche

The disbursement of the Second Tranche is conditional upon, *inter alia*, the following being satisfied (or waived) by 31 October 2005:

- (i) the approval of the shareholders of G15 Holdings Pte Ltd ("**G15**"), a substantial shareholder of the Company, for the entry by G15 into a call option agreement (the "**Call Option Agreement**") having been obtained;
- (ii) the receipt by ATB of a ruling from the Securities Industry Council (the "**SIC**") that (aa) G15 and/or the Creditors will not be regarded by the SIC as having acted in concert with ATB and (bb) ATB will not be required to make a general offer in relation to the shares of the Company pursuant to *inter alia* its execution of the Transaction Documents and upon the allotment and issue of the Subscription Shares (the "**SIC Confirmation**");
- (iii) the Debt Restructuring Exercise having been approved at a meeting of Creditors convened at the direction of the High Court of Singapore for the purposes of approving the Debt Restructuring Exercise and the terms of the Debt Restructuring Exercise being reasonably acceptable to ATB (the "**Court Meeting**");
- (iv) evidence satisfactory to ATB that the approval and sanction by the High Court of Singapore of the Debt Restructuring Exercise has been obtained and an office copy of the Order of Court lodged with the Registrar of Companies;
- (v) ATB having obtained all relevant anti-trust approvals and clearances from relevant merger control authorities;
- (vi) the receipt by ATB of a letter of undertaking by each of G15 and another substantial shareholder of the Company (the "**Substantial Shareholder**"), two of the Company's substantial shareholders, to vote in favour of the proposed Capital Reduction Exercise (as described below) and the allotment and issue of the Subscription Shares;
- (vii) no injunction or order having been issued by any court prohibiting any of the transactions contemplated to be undertaken pursuant to or in connection with the Transaction Documents;
- (viii) no occurrence of any of the Insolvency Events;
- (ix) the First Tranche not having become due and payable; and
- (x) the receipt by ATB of (aa) a letter of undertaking from (in form and substance reasonably satisfactory to the Subscriber) duly executed by G15 irrevocably undertaking to subscribe for its full entitlement or, if G15 does not hold any shares of the Company, to accept the renunciation of such additional rights entitlement comprising up to 12% of the entire rights entitlement, and (bb) a letter of undertaking (in form and substance reasonably satisfactory to the Subscriber) duly executed by the Substantial Shareholder irrevocably undertaking to subscribe for its full entitlement, under the proposed rights issue exercise (if any) of the Company contemplated under the Subscription Agreement;

- (xi) the receipt by ATB of a share charge duly executed by G15 in favour of ATB over the call option shares under the Call Option Agreement (as defined below), as security for the performance by G15 of its obligations under the Call Option Agreement; and.
- (xii) the receipt by ATB of a comfort letter from the Company's auditors confirming *inter alia* that the total bank borrowings of the Group ("**Bank Borrowings**") as at 31 August 2005 have not increased by more than 5% compared to the Bank Borrowings set out in the publicly announced unaudited financial position and results of the Group for the six month period ended 30 June 2005 (save for increases resulting from liabilities and borrowings with International Factors (Singapore) Ltd and factoring arrangements).

Priority of the Advance

Subject to the Majority Creditors agreeing to the Debt Restructuring Exercise and the sanction by the High Court of Singapore of the Debt Restructuring Exercise or to the extent that the Majority Creditors have granted specific undertakings, the Advances shall rank in priority to the Company's indebtedness to the Creditors.

Charge

The Company shall create the Schorch Charge in favour of ATB over Lindeteves-Jacoberg Holding GmbH's entire interest in the shares of Schorch as security for the repayment by the Company to ATB of the Advances and any interest accrued thereon.

The Subscriber may (but shall not be obliged to) exercise its rights of enforcement in respect of the Schorch Shares under the Schorch Charge in the following circumstances:

- (a) if an office copy of the order of court approving and sanctioning the Debt Restructuring Exercise has not been lodged with the Registrar of Companies by 31 October 2005 and the First Tranche Advance becomes due and payable pursuant to a written demand issued after the Exclusivity Period;
- (b) if the Subscription Completion has not taken place within six (6) months of the date of the Second Tranche and the Advances and all moneys due under this Agreement are not fully repaid on the Maturity Date (as defined below).

Repayment

In the event that:

- (i) the Subscription Completion shall take place within six (6) months from the date of remittance of the Second Tranche, the Advances shall be applied towards and set-off against the consideration payable for the Subscription Shares;
- (ii) by 31 October 2005, if (aa) the Debt Restructuring Exercise is not approved at the Court Meeting; or (bb) the approval and sanction by the High Court of Singapore of the Debt Restructuring Exercise has not been obtained and lodged with the Registrar of Companies, and if the Company and ATB are unable to agree on the principal terms of an alternative restructuring proposal(s) acceptable to the Creditors by the end of the Exclusivity Period (as defined below), the First Tranche and any applicable interest shall become repayable upon the expiry of the Exclusivity Period;
- (iii) the Subscription Completion does not take place by six (6) calendar months from the date of the remittance of the Second Tranche, the Advances and any applicable interest shall become repayable on the date falling twelve (12) months after (aa) the date of the remittance of the First Tranche (where only a First Tranche has been remitted) or (bb) the date of the remittance of the Second Tranche (where the Second Tranche has been remitted) (the "**Maturity Date**"); and

- (iv) an order is made or an effective resolution is passed for the winding up or insolvency of the Company or for the appointment of a liquidator, receiver and/or manager, judicial manager or similar officer of the Company or of all or any part of its business or assets; or if the Schorch Charge ceases to be in full force and effect; or the Debt Restructuring Exercise is terminated for any reason, the Advances (to the extent that they have been advanced to the Company) shall immediately be repayable by the Company on demand.

For the purposes of this announcement, "**Exclusivity Period**" refers to the two month period from the non-fulfilment of any of certain events, including the events described in paragraphs (ii) above, whereupon the Company and ATB shall enter into exclusive discussions to explore any alternative restructuring proposals for the Group.

2. Key Terms Of The Subscription Agreement

The 148,781,725 Subscription Shares shall be issued to ATB, free from all encumbrances and shall rank in all respects *pari passu* with the then existing shares of the Company. Contemporaneous with the issue of the Subscription Shares, 59,533,510 new Shares shall also be issued to the Creditors under the Debt Restructuring Exercise (the "**Creditor Share Issue**"), pursuant to the Debt Restructuring Exercise.

Conditions

The subscription, allotment and issue of Subscription Shares are conditional upon the following:

- (i) the receipt of the SIC Confirmation;
- (ii) ATB having disbursed the full amount of the Advances to the Company pursuant to the terms of the Advance Agreement;
- (iii) approval in-principle being granted by the SGX-ST for the listing of and quotation for the Subscription Shares on the Official List of the SGX-ST;
- (iv) the approval by shareholders of the Company for the allotment and issue of the Subscription Shares;
- (v) no occurrence of any of the Insolvency Events;
- (vi) the issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any legislative executive or regulatory body or authority of Singapore;
- (vii) ATB having obtained all relevant anti-trust approvals and clearances from relevant merger control authorities; and
- (viii) the receipt by ATB of a letter of undertaking by G15 in favour of ATB irrevocably undertaking to vote in favour of any proposed change of name of the Company.

Capital Reduction Exercise

The Company proposes to undertake a capital reduction exercise to reduce the capital of the Company to be consistent with its underlying asset value and to allow for the Subscription Shares to be issued at a price of 16.58 cents.

If for any reason:

- (i) the share capital of the Company is not reduced to enable;

- (ii) the law does not allow; or
- (iii) the Company is unable to obtain the necessary prescribed approvals and consents to enable,

the Company to issue the Subscription Shares at a price of 16.58 cents per Subscription Share, ATB shall subscribe for 123,340,050 new shares at a price of 20 cents per Subscription Share, and the Creditor Share Issue shall be cancelled and not proceeded with.

Future Transactions

Subject to the completion of the Subscription Agreement, the Company shall use its best endeavours to procure the refinancing the loans of its power plant operations in the Philippines as soon as reasonably possible.

In the event the proposed refinancing above is not successfully undertaken and subject to the Subscription Completion, the Company shall use its best endeavours to obtain further financing and/or implement a rights issue to raise an amount of not less than S\$15 million, no later than the date falling eighteen (18) months after the completion of the Subscription Agreement (the "**Rights Issue Exercise**"). ATB shall undertake to subscribe for its full entitlement under the Rights Issue Exercise, provided that if such subscription results in ATB being required to make a mandatory general offer under the Singapore Code on Take-Overs and Mergers (the "**General Offer**"), ATB shall subscribe for such maximum portion of its entitlement which will not require it to make a General Offer. In such event, it shall advance to the Company a convertible loan of an amount equivalent to the difference between (i) the total consideration that it would have paid for its full entitlement; and (ii) the aggregate subscription price paid or payable in respect of the portion of its rights entitlement actually subscribed by it. The Convertible Loan shall, subject to any applicable limitation period prescribed by the Companies Act (Chapter 50), at any time and from time to time be converted into new shares provided that such conversion shall not result in ATB being required to make a General Offer.

3. Call Option Agreement

In connection with the Proposed Investment and as a show of support for the Company by G15, G15 and ATB have on 27 August 2005 entered into a call option agreement (the "**Call Option Agreement**"). As at the date hereof, G15 holds 75,087,499 ordinary shares of S\$0.20 each in the capital of the Company, representing 26.09% of the entire issued and paid-up share capital of the Company.

Under the Call Option Agreement, G15 has agreed to grant to ATB a call option under which ATB may require G15 to sell to ATB an aggregate of 75,087,499 ordinary shares of S\$0.20 each (the "**Option Shares**") on the terms and subject to the conditions of the Call Option Agreement.

Option Period

The Option Period for the exercise of the Option Shares shall be for a period of 1 month commencing on the date falling 6 months after the completion of the Subscription Agreement.

Exercise Price

The exercise price of the Option Share shall be 15 cents per Option Share or 20 cents per Option Share (in the event there shall be no Capital Reduction Exercise).

Conditions Precedent

The Call Option is conditional upon *inter alia* the following having been satisfied (or waived) by 31 October 2005:

- (i) the receipt of the SIC Confirmation;
- (ii) the Subscription Completion taking place in accordance with the terms and conditions of the Subscription Agreement;
- (iii) ATB having obtained all relevant anti-trust approvals and clearances from relevant merger control authorities; and
- (iv) resolutions to be passed by the shareholders of G15, approving the transactions contemplated under the Call Option Agreement.

V. DEBT RESTRUCTURING EXERCISE

The Company intends to make an application to the High Court of Singapore in relation to the proposed Debt Restructuring Exercise. ATB and the Company have also mutually agreed in-principle on the principal commercial perimeters of the proposed Debt Restructuring Exercise.

Under the proposed Debt Restructuring Exercise, the debts of the Company (the "**Total Scheme Debt**") will be restructured into an 8-year term loan ("**Restructured Term Loan**"). In the event the High Court shall sanction the Debt Restructuring Exercise, during the period between the date of lodgment of the Debt Restructuring Exercise with the Accounting and Corporate Regulatory Authority of Singapore (the "**Commencement Date**") and the Subscription Completion:

- (i) interest will be paid on a sum equivalent to sixty per cent (60%) of the Total Scheme Debt; and
- (ii) all other contractual and default interest provided for under the existing banking facilities (after deducting for any payments received under paragraph (i) above) will continue to accrue but shall be suspended until the date of the Subscription Completion (the "**Conversion Date**").

On the Conversion Date, the Creditors shall (i) write-off and convert into shares an aggregate sum equivalent to forty per cent (40%) of the Restructured Term Loan; and (ii) write-off all suspended default and contractual interest. Thereafter, the balance 60% of the Total Scheme Debt will be repaid over a period of 8 years from the Commencement Date.

The salient terms of the proposed debt restructuring under the Debt Restructuring Exercise include *inter alia* the following:

- the Company shall, unless (a) the share capital of the Company is not reduced to enable, (b) the law does not allow or (c) the Company is unable to obtain the necessary prescribed approvals and consents to enable, the Company to issue the Subscription Shares to ATB at a price of 16.58 cents each (as described above), simultaneously with the aforesaid issue of shares to ATB, issue to the Creditors 59,533,510 new shares representing 12% of the enlarged capital of the Company;
- the Debt Restructuring Exercise shall be terminated in the event the Subscription Completion is not completed within the tenure of the Advance;
- 6 months after Conversion Date, the Company will, in good faith, negotiate and enter into an agreement with the Creditors to accelerate the repayment of the Restructured Term Loan upon the Company achieving various financial objectives on terms to be agreed;
- the Company shall have the right to re-finance the Restructured Term Loan without penalty at any time;

- there shall be a negative pledge on the creation of security over the assets of the Group (save for the proposed re-financing of the loans of its power plant operations in the Philippines). Such negative pledge shall not prohibit the creation of the Schorch Charge;
- the Group shall not (save for the re-financing of the loans of its power plant operations in the Philippines) incur (i) any further financial indebtedness exceeding S\$10 million in any year; and (ii) S\$20 million at any time, without consent from the majority of the Creditors;
- there shall be no lending by the Group to ATB and its group companies (the "**ATB Group**");
- there shall be no cross-guarantees granted by the Group to the ATB Group;
- all transfer pricing arrangements between the Group and the ATB Group shall be at market prices;
- excluding the disposal of the Company's power plant operations in the Philippines, there shall be no disposition of assets exceeding S\$1 million (in net book value or in net proceeds, whichever is higher) per year by the LJ Group, other than in the ordinary course of business;
- there shall not be any co-mingling of funds between the Group and the ATB Group; and
- In the event of any privatisation of the Company by ATB, the Company shall comply with all standards, principles and practices of corporate governance applicable to public-listed companies in Singapore and such privatisation shall be consistent with the principles and provisions of all agreements entered into with the Creditors.

VI. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

As the Proposed Investment consists of various conditional agreements giving rise to different permutations, the Company is unable to accurately calculate the financial effects of the transactions contemplated under the Proposed Investment. The Company will provide full details in its circular to shareholders on transactions contemplated in this announcement (please refer to paragraph VII below).

VII. FURTHER INFORMATION

Copies of the Advance Agreement and the Subscription Agreement will be made available for inspection during normal business hours at the Company's registered office for a period of 3 months from the date of this announcement.

A circular containing further details of the Proposed Investment and enclosing a notice of Extraordinary General Meeting in connection therewith will be dispatched to shareholders in due course.

The Company will make further announcements in line with the requirements of SGX-ST at the appropriate juncture.

VIII. INTERESTS

Directors of the Company, Mr Lim Say Hui, Mrs Low-Chan Lai King, Mr Soong Tuck Cheong and Mr Praful J Desai, are shareholders of G15. Mr Soong Tuck Cheong is also a Director of G15. Other than this, and save as disclosed herein, none of the Directors or controlling

shareholders of the Company has any interest, direct or indirect, in the transactions described above.

IX. STATEMENT OF CAUTION

It should be noted that as the Advance Agreement, Subscription Agreement and Call Option Agreement are subject to conditions precedent being fulfilled, satisfied or waived, shareholders' approval being obtained, each Majority Creditor approving the Debt Restructuring Exercise, and the proposed Debt Restructuring Exercise receiving the sanction and approval of the High Court of Singapore, there is no assurance that the transactions herein will be completed. Accordingly, holders of securities in the Company and investors are advised by the Board to exercise caution in their dealings in the securities of the Company and to seek their own financial and legal advice where appropriate. Further announcements will be made by the Company as and when appropriate

Submitted by Lathika Devi Amma d/o KR Pillay, to the SGX-ST on 27 August 2005.