

By fax

Shanghai JINTAI Co., Ltd.
Attn. Mr. Zhou Jian Min
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Stuttgart, 22 September 1998

Bankruptcy Proceedings of DELMAG Maschinenfabrik Reinhold Dornfeld GmbH + Co. in Esslingen subsequent to the insolvency proceedings

Dear Mr. Zhou Jian Min,

thank you very much for your letter dated 26 June 1998 and the interest in DELMAG Maschinenfabrik, Reinhold Dornfeld GmbH + Co. in Esslingen, expressed in your letter.

I have meanwhile had several discussions with Mr. Kuklinski. I had the opportunity to inform Mr. Kuklinski about the newest developments each time. I assume that Mr. Kuklinski has given this information to you.

Today I would like to take the opportunity to inform you directly about the current state of the insolvency proceedings and the further plans of the official receiver.

DELMAG Maschinenfabrik, Reinhold Dornfeld GmbH + Co. filed for insolvency proceedings on 12 May 1998. On 1 July 1998 the district court in Esslingen initiated the subsequent bankruptcy proceedings. My colleague Dr. Grub from our house was appointed official receiver.

The inquiries made by us revealed that it made no sense to come to a judicial settlement and that this was not possible, either.

After insolvency proceedings were started in the middle of May 1998, we first of all checked whether it was possible to continue the business during the time of insolvency. This examination has led to the result that it is possible to continue. We have been able to convince the most important suppliers to go on supplying DELMAG. The personnel costs were prefianced with public funds.

After that we examined whether it was possible to put the company back in good shape in the long term. We have come to differentiated results here. While we see a long-term perspective for the Diesel pile hammer and drilling rig divisions, we are of the opinion that the compaction division cannot be made profitable if the existing structures are maintained. Since this division has up to now made considerable losses, a quick decision was necessary.

We decided to close down this division by 30 November 1998. The personnel was given notice. Orders are still completed and the production is running out gradually.

At the same time we are in negotiations with interested parties for the take-over of the compaction division. The take-over of the compaction division by another company makes sense, if synergy effects in the following areas can be reached: buying/procurement, production and sales. For the reasons outlined above, these take-over negotiations are held under considerable pressure of time. Here, a decision must be taken in the first half of October.

We intend to continue the Diesel pile hammer and drilling divisions in the insolvency period. At the moment we are working on a financing and manufacturing plan up to the end of 1999. But in the long term these divisions are to be passed into third hands, too.

I am pleased about your interest in DELMAG Maschinenfabrik, Reinhold Dornfeld GmbH + Co. As soon as the plans are completed and concrete results are available, we can willingly talk about a common future. I assume that we will be able to make a safe enough statement about the future of DELMAG towards the end of this year. I think that all kinds of cooperation are possible, up to the take-over of the whole business. If the further development should become apparent before this time, I will, of course, inform you about it.

On this occasion, I would also like to inform you that Pileco, Inc., located in Houston/Texas has lodged a complaint with me. Pileco, Inc. is an associated company of DELMAG Maschinenfabrik. As you certainly know, Pileco sells the DELMAG product on the North-American market.

Pileco informed me about the fact that Shanghai JINTAI Co., Ltd. was also active on the American market through Messrs. APE and was so contravening contractual agreements. I for my part have not yet formed an opinion about this matter. But I would be interested to learn your views about this subject.

I would like to conclude by thanking you, once again, for your letter of 26 June 1998. I would like to assure you that - in the interest of DELMAG Maschinenfabrik and the people who work there - we will make every effort to keep the company going. . We will think about all possible solutions leading to this aim.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bilgery', with a stylized flourish at the end.

Attorney
(Dr. Bilgery)