



THAKRAL CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 199306606E)

ANNOUNCEMENT

TERMINATION OF THE LOCK-OUT AGREEMENT DATED 24 NOVEMBER 1995 ENTERED INTO BETWEEN THAKRAL CORPORATION LTD (THE “COMPANY”), THAKRAL BROTHERS (PRIVATE) LIMITED (“THAKRAL BROTHERS”), DARTMOOR PTE LTD (“DARTMOOR”) AND MR KARTAR SINGH THAKRAL (“KST”) (THE “LOCK-OUT AGREEMENT”)

A. Introduction

1. The Board of Directors of the Company wishes to refer to the announcement dated 30 March 2007 (the “**30 March Announcement**”) in relation to the agreement dated 30 March 2007 (the “**TBPL Debt Agreement**”) entered into between the Company, Thakral Corporation (HK) Ltd (“**TCHKL**”) (a wholly-owned subsidiary of the Company), Thakral Brothers, Dartmoor and KST relating to (i) the repayment of the outstanding trade debts owing from Thakral Brothers to TCHKL, including incidental charges and interest (the “**TBPL Debt**”) and (ii) the termination of the Lock-Out Agreement (the “**Termination**”). Terms used in this Announcement bear the same meanings ascribed to them in the 30 March Announcement.
2. As stated in the 30 March Announcement, the Lock-Out Agreement contains, *inter alia*, (i) restrictions on sales of consumer electronic products by the TCL Group in Eastern Europe, the Middle East, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Cambodia (the “**SC Territories**”) and (ii) restrictions on sales of consumer electronic products by the TBPL Group, Dartmoor and its subsidiaries and companies owned or controlled by KST or his family (collectively the “**TF Companies**”) in Hong Kong, the People’s Republic of China, Taiwan, Japan, the Philippines and such other countries as may be agreed by the LOA Parties from time to time (the “**TCL Territories**”). Please refer to the 30 March Announcement (a copy of which is available on www.sgx.com) for further information on the Lock-Out Agreement, including the rationale for the Termination of the Lock-Out Agreement.

Under the TBPL Debt Agreement, the Termination of the Lock-Out Agreement is conditional upon, *inter alia*, confirmation from the SGX-ST that the Termination does not require the approval of the shareholders of the Company pursuant to the Listing Manual of the SGX-ST (the “**Listing Manual**”) and the fulfilment to the satisfaction of the SGX-ST of any conditions imposed by the SGX-ST in granting such confirmation.

B. SGX-ST’s Confirmation

The Board of Directors of the Company wishes to announce that, pursuant to an application made by the Company to the SGX-ST, the Company has received a letter from the SGX-ST stating that, based on the Company’s representations and

submissions to the SGX-ST, the Termination does not require shareholders' approval pursuant to Chapter 9 of the Listing Manual, subject to the following:

- (a) the Company making an SGXNET announcement that the Board of Directors is of the view that the Termination is favourable to/in the interests of the Company and is not prejudicial to the interests of its minority shareholders;
- (b) the Company making an SGXNET announcement on the procedures put in place to mitigate potential conflict between the Company and the Thakral family's private business since the Thakral family has 3 board seats although they are no longer the largest shareholder of the Company. In this respect, the SGX-ST noted that the purpose of the Lock-Out Agreement then was to address the conflict issue (in particular competition for same customers) between the Company and the Thakral family's private business;
- (c) the submission of an undertaking from the Company that the Audit Committee of the Company (the "**Audit Committee**") reserves the right to enter into the Lock-Out Agreement (the "**Rights to Lock-Out**") if the shareholding of KST, Mr Jasvinder Singh Thakral and Mr Inderbethal Singh Thakral (the "**Thakral Family Directors**") and/or their family members in the Company is 15% or more than 15%, or when the quantum of a transaction relating to the sale by any of the TF Companies of consumer electronic products (i) to parties in the TCL Territories or (ii) to parties outside the TCL Territories which they know to be destined for resale in or into the TCL Territories ("**TFC Sale in TCL Territories**") is of a value equal to, or exceeding:
 - (i) 3% of the TCL Group's latest audited consolidated net tangible assets;
or
 - (ii) 3% of the TCL Group's latest audited consolidated net tangible assets, when aggregated with the values of all other TFC Sales in TCL Territories during the same financial year of TCL,

(the "**Relevant Threshold**");
- (d) the submission of an undertaking from the Thakral family that the Audit Committee reserves the Rights to Lock-Out if the shareholding of the Thakral Family Directors and/or their family members in the Company is 15% or more than 15%, or when the quantum of a TFC Sale in TCL Territories crosses the Relevant Threshold; and
- (e) the submission of an undertaking from the Company that the Company will keep the Audit Committee informed if the size of TFC Sales in TCL Territories should cross the thresholds set out in paragraphs (c) and (d) above after the Termination of the Lock-Out Agreement takes effect pursuant to the TBPL Debt Agreement.

C. Non-Thakral Family Directors' Statement

The Directors (other than the Thakral Family Directors) (the "**Non-Thakral Family Directors**") have taken into consideration, *inter alia*, the following factors:

- (a) the management of the Company had undertaken a review of the Lock-Out Agreement and following such review, proposed the Termination;
- (b) the rationale for the Termination (as set out in section 4 of the 30 March Announcement);
- (c) the Termination is a principal term of the TBPL Debt Agreement (as stated in section 3 of the 30 March Announcement);
- (d) the termination of the trading restrictions in the TCL Territories on the part of the TF Companies is incidental to the termination of the trading restrictions in the SC Territories on the part of the TCL Group. Upon termination of the Lock-Out Agreement, the TCL Group would be free to trade in the SC Territories and the TF Companies would be free to trade in the TCL Territories;
- (e) the TCL Group has been obtaining consents and/or waivers from Thakral Brothers and Dartmoor to trade with its customers located in the SC Territories from time to time. The Termination would allow the TCL Group to freely pursue significant trading opportunities (both existing and new) in the SC Territories; and
- (f) based on information available to the Company, there is currently no consumer electronic product customer of the TF Companies located in the TCL Territories, and the Company has not been approached by the TF Companies to trade in the TCL Territories.

Having taken into account and after weighing, *inter alia*, the above factors, the Non-Thakral Family Directors are of the view that, on balance, the Termination is not prejudicial to the interests of the Company and its minority shareholders.

D. Undertakings and Conflict Procedures

1. The undertakings referred to in paragraphs (c) and (e) in section B above have been given by the Company to the SGX-ST and the undertaking referred to in paragraph (d) in section B above has been given by the Thakral Family Directors, Thakral Brothers and Dartmoor to the SGX-ST and the Company (collectively, the "**Undertakings**"). Pursuant to the Rights to Lock-Out contained in the Undertakings, the Audit Committee shall have the right, exercisable by written notice to the other LOA Parties, to require the provisions of the Lock-Out Agreement to re-apply to the LOA Parties upon the terms set out in the Undertakings, if any of the events referred to in paragraphs (c) and (d) in section B above occurs.
2. The Non-Thakral Family Directors are of the view that the Audit Committee's Rights to Lock-Out contained in the Undertakings will help to mitigate potential conflict of interest between the Company and the Thakral family's private business in relation to sales of consumer electronic products in the TCL Territories. In addition to the Undertakings, the Company has obtained the Additional Undertakings referred to in paragraph 3 below from the Thakral Family Directors and will be implementing the procedures set out in paragraph 4 below, for the purpose of monitoring the TFC Sales in TCL Territories so as to enable the Audit Committee to decide whether the Rights to Lock-Out have become exercisable and should be exercised.

3. Each of the Thakral Family Directors has undertaken to the Company that:
- (a) the Thakral Family Directors will deliver to the Company, not later than 30 days after 31 March, 30 June, 30 September and 31 December in each year, a certificate signed by any one of the Thakral Family Directors certifying the aggregate amount of TFC Sales in TCL Territories for that quarter, and setting out the names of the TF Companies which carried out such TFC Sales in TCL Territories and a breakdown of the amount of such TFC Sales in TCL Territories and the number of customers in respect of each relevant country for that quarter ("**Quarterly Certificates**");
 - (b) he will abstain from participating in Board discussions involving, and voting at the Board in respect of, any matter and/or business opportunity relating to sales of consumer electronic products in the TCL Territories where there is any conflict of interest arising between him and the TCL Group in respect of such matter and/or business opportunity; and
 - (c) procure that the auditors of each of the relevant TF Companies which have been identified in any Quarterly Certificate delivered to the Company (whether in respect of the current or prior years) and such other TF Companies as the Company may reasonably request in writing ("**Relevant TF Companies**"), will deliver to the Company, no later than 30 days after (i) 31 December in each year and (ii) a request in writing made by the Company (such request not to be made more than once in each year), a certificate signed by the auditors certifying the aggregate amount of TFC Sales in TCL Territories undertaken by such Relevant TF Company for that year (or, as the case may be, the relevant period specified by the Company in such request), and setting out a breakdown of the amount of such TFC Sales in TCL Territories and the number of customers in respect of each relevant country for that year (or, as the case may be, such relevant period). Such auditors' certification shall be made at the expense of the Relevant TF Company,
- (collectively, the "**Additional Undertakings**").
4. Further to the Undertakings and the Additional Undertakings, the Company will implement the following procedures:
- (a) The Company shall maintain and make available to the Audit Committee on a timely basis, a register of records of all TFC Sales in TCL Territories disclosed by the Thakral Family Directors;
 - (b) The Audit Committee shall be provided with the registers described above and such other relevant information which it may reasonably require with the co-operation of the Company and the Thakral Family Directors;
 - (c) The Audit Committee will review such information on a quarterly basis to ascertain the level of TFC Sales in TCL Territories and will consider whether the Rights to Lock-Out have become exercisable and should be exercised by the Audit Committee;
 - (d) The Audit Committee will also review the shareholding information contained in the Register of Directors' Shareholdings and Register of Substantial

Shareholding maintained by the Company to ascertain whether the shareholding of the Thakral Family Directors and/or their family members in the Company is 15% or more than 15%, and if so, whether the Rights to Lock-Out should be exercised by the Audit Committee;

- (e) The Audit Committee will also review any actual or potential conflicts of interests in relation to sales of consumer electronic products in TCL Territories that may involve any Thakral Family Director disclosed by him to the Board of Directors and the exercise of his fiduciary duties in this respect. Upon disclosure of an actual or potential conflict of interests by any Thakral Family Director, the Audit Committee will evaluate whether it considers a conflict of interests does in fact exist. The review will include an examination of the nature of the conflict and such relevant supporting data, as the Audit Committee may deem reasonably necessary; and
- (f) The Audit Committee will review from time to time the procedures established to monitor TFC Sales in TCL Territories to determine if such procedures are adequate and/or commercially practicable for purposes of monitoring TFC Sales in TCL Territories. If, during its periodic review, the Audit Committee believes that the procedures as stated above have become inappropriate or are no longer sufficient to monitor TFC Sales in TCL Territories, the Audit Committee will improve on and/or adopt new procedures to deal with potential conflict of interest between the Thakral family and the TCL Group in relation to sales in the TCL Territories.

E. Miscellaneous

Pursuant to the Undertakings, the Termination of the Lock-Out Agreement will take effect from the date of this Announcement.

The Company and TCHKL have also entered into an agreement with the other parties to the TBPL Debt Agreement whereby the Company and TCHKL have confirmed their agreement that the re-instatement of the Lock-Out Agreement pursuant to the Undertakings and the conditions to the SGX-ST's confirmation (referred to in section B above) will not accelerate the TBPL Debt and Thakral Brothers shall continue to make payments towards satisfying the TBPL Debt in the manner provided in the Agreement.

By Order of the Board
Thakral Corporation Ltd

Natarajan Subramaniam
Director
28 September 2007
Singapore