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**Reply to SGX queries dated 25 February 2005****Miscellaneous**

Name of Announcer *	ACCORD CUSTOMER CARE SOLN LTD
Company Registration No.	200009059G
Announcement submitted on behalf of	ACCORD CUSTOMER CARE SOLN LTD
Announcement is submitted with respect to *	ACCORD CUSTOMER CARE SOLN LTD
Announcement is submitted by *	Woo Kah Wai
Designation *	Company Secretary
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**>> Announcement Details**

The details of the announcement start here ...

Announcement Title \* Reply to SGX queries dated 25 February 2005

Description

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## ACCORD CUSTOMER CARE SOLUTIONS LIMITED

### Reply to SGX Queries dated 25 February 2005

The Board of Directors of Accord Customer Care Solutions Limited (“ACCS” or the “Company”) refers to the following queries received from the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 25 February 2005 in relation to the Company’s FY2004 results announced on 22 February 2005 :-

- (a) **We note a significant increase in the spare parts/cost of goods sold of 271% and 402% for 4<sup>th</sup> Quarter and full year ended 31 December 2004 respectively as compared to FY2003. This is notwithstanding that Revenue only increased by 179% and 238% for the 4<sup>th</sup> Quarter and full year ended 31 December 2004 respectively. In this regard, please explain why the increase in COGS is not proportional to the increase in Revenue.**

The ACCS group’s revenue is derived mainly from two business segments; after-market services (“AMS”) and distribution management solutions (“DMS”).

In FY2004, DMS’ business expansion contributed to approximately 60% of the ACCS group’s revenue, as compared to the AMS business, which accounted for the remaining 40%. However, the profit margin from the DMS business is lower as compared to the AMS business. For FY2004, the profit before tax margin for AMS was approximately 26.2% as compared to DMS’ profit before tax margin of approximately 6.2% for the same period. As such, the increase in COGS is not proportional to the increase in revenue.

- (b) **We note that Advanced payments for investment represent deposits and advances paid to third parties for equity stakes in investee companies for which the sale and purchase agreements have not been completed as at the end of the financial year. Please explain why advances have to be paid to such third parties when the sales and purchase agreements have not been completed. To also provide further details on the investments.**

The breakdown of the advanced payment for investment is as follows:-

	S\$’000	Note
Investment in associate – Tri-max	3,333	1
Other Investments		
- Mobile Communication Service Pte Ltd	10,000	2
- GeAn (PRC)	2,550	3
- Dachuan (PRC)	2,310	4
Total	18,193	

#### Note 1

Investment in associate relates to the Company’s purchase of a 50% stake in Tri-Max Pte Ltd (“Tri-Max”), a company incorporated in Singapore. 50% of the total consideration of approximately S\$6.67 million was paid upon signing of the sale and purchase agreement in December 2004 and the remaining 50% was paid upon legal completion of the agreement.

ACCS owned 75% of PT ACCS, an Indonesian subsidiary. The remaining 25% was owned by Tri-Max. The purpose of the investment was principally to acquire the said 25% stake in PT ACCS indirectly through Tri-max for certain strategic and commercial reasons. The payment of the deposit then was in order to facilitate ACCS in gaining full control of the board of directors of PT ACCS. The deposit is refundable in the event the sale and purchase agreement is not completed. The above transaction was completed in January 2005.

Note 2

This relates to an option to swap the shares in the ACCS group's 20%-owned associated company, Allpro International Ltd ("Allpro"), for a 20% stake in its parent, Mobile Communication Service Pte Ltd ("MCS"). The deposit paid arose from the difference in valuation of MCS and Allpro. By paying the said deposit, ACCS is entitled to preferential conversion rate in the conversion of an existing loan made to MCS into additional MCS shares. The deposit is refundable in the event certain commercial conditions are not met.

Notes 3 and 4

These are refundable good faith deposits paid to nominated third parties in the PRC upon the signing of the memorandum of understandings in order for due diligence work to commence. Currently, the terms of the sale and purchase agreements as well as the ACCS group's investment stakes in these strategic joint venture partners in the PRC are still being discussed and considered.

- (c) **Please provide the reasons for converting all outstanding net receivables from ACCS Aust and ACCS Thai into Long-term receivables. To advise whether the Company is aware of any factors which may indicate that such receivables may not be collectible.**

The conversion into long-term receivables is part of the result of the deal agreed with both ACCS Aust and ACCS Thai. The Company has managed to negotiate the amount to be converted into long-term loans rather than for it to be converted into share capital, which will be considered as investment cost. As of now, we are not aware of any factors which may indicate that such receivables may not be collectible.

- (d) **We note that a \$4.7m refundable deposit for the disposal of DMSPL is included in the balance for Other payables. To provide details on the nature of this deposit, e.g., which party/parties the deposit is refundable to, when the deposit is to be refunded, etc.**

The deposit was paid by Messrs Yip Hwai Chong, Tan Hor Khim and Dollaporn Ruengdech, in connection with these parties' purchase of ordinary shares of S\$1 each in the capital of the Company's 50%-owned associated company, Distribution Management Solutions Limited ("DMSL") from ACCS prior to DMSL's listing. The deposit is refundable in the following circumstances:-

- In the event DMSL does not achieve a listing by a target listing date, ACCS shall return the deposit paid by that purchaser back to him/her within 15 business days of the target listing date.

- In the event the purchase price of S\$4 is greater than or equal to the IPO price to be determined (after adjusting for all sub-divisions in the DMSL shares undertaken prior to or in connection with the listing), ACCS shall return the deposit paid by that purchaser back to him/her within 15 business days of the date of listing.
- In the event and to the extent the deposit exceeds the adjustment amount (i.e. consideration payable by the purchasers if the IPO price is greater than purchase price as determined by a prescribed formula), ACCS shall return the excess to the purchaser.

Further details of the above sale of DMSL shares by ACCS to the aforesaid parties are set out in the Company's announcement on 16 December 2004.

BY ORDER OF THE BOARD

Woo Kah Wai  
Company Secretary

1 March 2005  
Singapore