

ACCORD CUSTOMER CARE SOLUTIONS LIMITED
(Company Registration Number 200009059G)

PROPOSED RIGHTS ISSUE

Unless otherwise defined, all terms used herein shall bear the same meaning as in the Company's previous announcements dated 1 March 2006 and 6 April 2006.

Further to the Company's announcements on 1 March 2006 and 6 April 2006, the Board of Directors of the Company wishes to announce the following in relation to the Rights Issue:

Potential Underwriting for the Rights Shares

The Company is currently in negotiations with a number of financial institutions to seek underwriting for the Rights Shares which are not subject to the Undertakings. As at the date of this announcement, such negotiations are still at a preliminary stage and the Company has not reached agreement with any financial institution on the terms of the proposed underwriting arrangement. There is no assurance that the Company will be able to secure underwriting for the Rights Issue (if at all) on acceptable terms. The Company will make an announcement of the terms of any underwriting arrangement for the Rights Issue and the identity of the underwriter(s) *via* the SGXNET in the event that such underwriting has been successfully secured and in any case, before the Shares trade ex-rights.

Loan Agreements

Pending the completion of the Rights Issue, the Company has entered into separate loan agreements with each of Mr Henry Tan Hor Thye, Accord Holdings Pte. Ltd. and Mr Poh Tian Peng on 4 May 2006 (the "**Loan Agreements**") in respect of loans for an aggregate amount of S\$5.0 million (the "**Loans**") to the Company. The Loans are personal, unsecured and interest-free and comprise S\$2.54 million from Mr Henry Tan Hor Thye, S\$1.46 million from Accord Holdings Pte. Ltd. and S\$1.0 million from Mr Poh Tian Peng. The Loans are expected to be fully drawn down by the end of May 2006 mainly for the Group's current working capital purposes.

The combined amount of S\$3.54 million of the Loans from Messrs Henry Tan Hor Thye and Poh Tian Peng is intended as an advance for the amounts payable by both of them for the Rights Shares to be taken up by them pursuant to their respective Undertakings.

In the event that the Rights Issue proceeds successfully, the Company shall:

- (a) set-off the combined amount of S\$3.54 million of the Loans from Messrs Henry Tan Hor Thye and Poh Tian Peng from the total amount payable by each of them for the Rights Shares to be taken up by them pursuant to their respective Undertakings (the "**Set-off Arrangement**"); and
- (b) repay the Loan from Accord Holdings Pte. Ltd., amounting to S\$1.46 million, in cash from the proceeds of the Rights Issue.

In the event that the Rights Issue is not completed by 31 December 2006 (or such other date to be agreed between the parties) and/or the Rights Issue does not result in the Company receiving sufficient amounts to repay the Loans, the Company shall repay the Loans within one year from the date of the Loan Agreements.

Use of Proceeds from the Rights Issue

In view of the Loan Agreements, the Set-off Arrangement and the completion of the Company's acquisition of Semitech Mobility Solutions Pte Ltd, Semitech Electronics (HK) Limited and SEM Technology Sdn Bhd ("**Acquisition**"), the use of proceeds from the Rights Issue will be amended as disclosed below.

Assuming that only the Undertaking Shareholders subscribe for the Rights Shares pursuant to their respective Undertakings, the estimated net proceeds of the Rights Issue are expected to be approximately S\$4.4 million. Of this amount, S\$3.54 million will be subject to the Set-off Arrangement with the balance of S\$0.86 million to be used for partial repayment the Loan owing to Accord Holdings Pte Ltd. pursuant to the terms and conditions of its Loan Agreement.

Assuming that the Rights Issue is fully subscribed for by all the Shareholders, the estimated net proceeds from the Rights Issue are expected to be up to approximately S\$20.6 million. Such proceeds are expected to be used by the Group as follows:

- (a) S\$1.46 million will be used to repay the Loan owing to Accord Holdings Pte. Ltd. pursuant to the terms and conditions of its Loan Agreement;
- (b) up to S\$11.54 million (inclusive of the S\$3.54 million which is subject to the Set-off Arrangement) will be used for the Group's current working capital purposes, of which approximately S\$8.54 million and approximately S\$3.0 million will be allocated to the Group's DMS and AMS business segments respectively; and
- (c) the balance of up to S\$7.6 million will be allocated for the expansion of the Group's AMS business segment in the region as follows:
 - (i) up to S\$5.6 million will be allocated for capital expenditure, including, *inter alia*, the setting up of additional service centres, entering into strategic investments, alliances, joint ventures, acquisitions and other capital expenditure; and
 - (ii) up to S\$2.0 million will be allocated for working capital in connection with such expansion.

The Company is currently in negotiations with its lenders to restructure its financial obligations. As part of the negotiations with the lenders, repayment of these obligations is intended to be repaid out of the proceeds from the Company's recovery of its investments in non-operational assets. As the timing of receipt of proceeds from the recovery is dependent on, *inter alia*, stock market conditions and conclusion of negotiations, the Company may be required to use up to S\$5.0 million of the proceeds from the Rights Issue to repay its lenders, if necessary. This amount will be provided from (c) above.

The Company is also currently in negotiations with Nokia Pte Ltd for the settlement of in-warranty claims and intends to repay such settlement with proceeds from the recovery of its investments in non-operational assets. In the event that the Company reaches a settlement with Nokia Pte Ltd (at which time an announcement will be made via the SGXNET) and proceeds from the recovery of the Company's investments in non-operational assets are not received in time to be utilised for payment of the settlement amount, up to S\$2.6 million of the proceeds from the Rights Issue will be used to pay the settlement amount to Nokia Pte Ltd. This amount will be provided from (c) above.

Update on Business Outlook

The Company would also like to provide Shareholders with the following update of its business outlook.

Due to the discontinuance of the Group's Nokia operations in Australia in end-2005, the Group's AMS revenue for the first quarter of FY2006 will be impacted. However, the Acquisition is expected to partially back-fill the revenue shortfall from the second quarter of FY2006 onwards.

On the AMS business segment, the Group needs to improve its yields in addition to cost efficiencies in order to achieve a sustained level of profitability. The Group's service network will continue to be reviewed.

As for the DMS business segment (for which progress is still hampered by working capital constraints), the additional funds from the Rights Issue, if well-subscribed, will provide the funding to increase its business volume and expand its dealership base and range of services. The tight working capital situation is unlikely to ease till the second half of 2006, upon the successful completion of the Rights Issue.

In light of the above and barring unforeseen circumstances, the Company expects the Group's financial performance to improve in the second half of FY2006.

Circular to Shareholders

Additionally, the Company will also be seeking approval from the Shareholders for the proposed amendment of the Memorandum and Articles of Association of the Company and the proposed change of name of the Company at the extraordinary general meeting to be convened.

The circular to Shareholders containing, *inter alia*, the notice of the extraordinary general meeting to be convened, the terms and conditions of the Rights Issue, the proposed amendment of the Memorandum and Articles of Association of the Company and the proposed change of name of the Company will be despatched to the Shareholders in due course.

Approval-in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, the Shares, the Rights Issue or the Rights Shares.

BY ORDER OF THE BOARD

Woo Kah Wai
Company Secretary

Singapore
4 May 2006