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INFOSERVE TECHNOLOGY CORP.

英 普 達 資 訊 科 技 公 司 *

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

**CONNECTED AND DISCLOSEABLE TRANSACTION
PROPOSED ISSUE OF UNLISTED REDEEMABLE CONVERTIBLE NOTES**

The Company and the Subscriber have entered into a conditional Subscription Agreement dated 29th November, 2002 pursuant to which, the Subscriber has agreed to subscribe for the Notes in an aggregate principal amount of HK\$7,800,000. The Notes are convertible into Shares at an initial Conversion Price of HK\$0.20 per Share, subject to adjustment. The obligations of the Company under the Notes are guaranteed by the Guarantors. The maximum number of new Shares which may be issued upon full conversion of the Notes based on the initial Conversion Price of HK\$0.20 per Share is 39,000,000 Shares, representing approximately 6.78% and approximately 6.35% of the existing share capital and the enlarged share capital (assuming the Notes will be converted in full at the initial Conversion Price into Shares), respectively of the Company. The Notes will not be listed on the Stock Exchange or any other stock exchange. The initial Conversion Price of HK\$0.20 represents a premium of approximately 21.2% to the closing price of HK\$0.165 per Share (as stated in the Stock Exchange's daily quotation sheet) on 29th November, 2002.

The Company will make an application to the Listing Committee of GEM for the listing of and permission to deal in the Conversion Shares.

The issue of the Notes will, upon completion, raise HK\$7.8 million. Subject to the Subscription Agreement becoming unconditional, the Company intends to use the said proceeds to repay the bridging loans, which were borrowed by the Company from the Subscriber in October and November 2002 for the purpose of financing the general working capital of the Company. The aggregate principal amount of the bridging loans is US\$1,000,000.

The Subscriber is a substantial shareholder of the Company. In addition, the principal amount of the Notes is HK\$7,800,000 (or approximately US\$1 million), which amount represents approximately 36.9% (being more than 15%) of the unaudited consolidated net tangible assets value of the Group as at 30th June, 2002 as adjusted by the issue of 39,000,000 Shares at HK\$0.20 per Share on 25th October, 2002 and the unaudited consolidated loss of the Group for the three months ended 30th September, 2002. The

* For identification purpose only

Subscription therefore constitutes a connected and discloseable transaction for the Company under the GEM Listing Rules. Accordingly, the Subscription is subject to the approval of the independent Shareholders at an EGM to be convened, at which resolution(s) will be proposed to approve, amongst other things, the Subscription. An independent board committee of the Company has been formed to consider the Subscription and to make its recommendation to the independent Shareholders of the Company. A circular containing, among other things, the terms of the Subscription Agreement and the Notes, the recommendation of the independent board committee and the advice of the independent financial adviser to the independent board committee in relation to the Subscription, together with the notice of the EGM, will be sent to the Shareholders and the Stock Exchange and arrange for its publication as soon as practicable and in any event within 21 days after the date of this announcement.

The terms of the Subscription Agreement and the Notes were agreed between the Company and the Subscriber after arm's length negotiation. The Directors consider that the terms of the Subscription Agreement and the Notes are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

THE SUBSCRIPTION AGREEMENT

Date

29th November, 2002

Parties

- (1) The Company
- (2) KA Land (or the Subscriber)
- (3) Mr. Chang and Mr. Tsai

Subject to the fulfilment of the conditions in the Subscription Agreement, the Company will issue, and the Subscriber will subscribe for, the Notes for the principal amounts aggregating HK\$7,800,000. The Guarantors have agreed to guarantee the obligations of the Company under the Subscription Agreement.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon the satisfaction of the following conditions: -

- (a) the Stock Exchange agreeing to grant listing of and permission to deal in the Conversion Shares;
- (b) the Stock Exchange having approved the issue of the Notes, or the Company not having received any objection from the Stock Exchange to the issue of the Notes; and
- (c) the Subscription Agreement, the Subscription and the allotment and issue of the Conversion Shares on terms of the Instrument having been approved by the Shareholders at an EGM to be convened, with the Shareholders who are not permitted under the GEM Listing Rules to vote in relation to the relevant resolution(s) to be proposed at such EGM abstaining from voting.

Since the Subscriber is a substantial Shareholder, it is not permitted to vote its Shares at the said EGM under the provisions of the GEM Listing Rules applicable to the present transactions.

The above conditions cannot be waived and should such conditions not be fulfilled by 10th January, 2003 (or such later date as the Company and the Subscriber may agree) the Subscription Agreement will lapse.

The Company will convene the above-mentioned EGM at which necessary resolution(s) will be proposed to approve the issue of the Notes, and the issue of the Conversion Shares upon conversion of the Notes. Accordingly, the Conversion Shares will not be issued by the Directors exercising the general mandate granted by the Shareholders at the annual general meeting of the Company held on 29th April, 2002.

Completion

Completion of the Subscription shall take place at 3:00 p.m. on the third business day next following the date on which the last of the above-mentioned conditions precedent have been fulfilled (or such other date as the Company and the Subscriber shall agree). At Completion, the Company and the Guarantors will execute the Instrument annexed to the Subscription Agreement and the Company will issue the Notes thereunder.

Principal Terms of the Notes:

The principal terms of the Notes are summarised as follows:

Issuer:	The Company
Principal Amount:	HK\$7,800,000
Maturity Date:	15 months after the date on which the Notes are issued
Issue Price:	100 per cent. of the principal amount of the Notes
Interest:	The Notes shall bear interest at 1% per annum above the Hong Kong prime rate on the date of issue of the Notes, payable at maturity, conversion or redemption of the Notes
Conversion Date:	The Notes shall, at the option and sole discretion of the Noteholder(s), be converted in whole or in part, into ordinary shares of HK\$0.01 each in the share capital of the Company before the Maturity Date
Conversion Price:	The conversion price is HK\$0.20 per Share, subject to adjustment
Redemption at maturity:	Unless previously redeemed or converted into the Shares, all the outstanding principal of the Notes shall be repaid in full by the Company in cash on the Maturity Date at the face value of the Notes

Redemption at the option of the Company:	If (and only if) at any time after the Notes have been issued and prior to (but not including) the Maturity Date, the then Current Market Price of the Shares is higher than 130% of the Conversion Price (i.e. in excess of HK\$0.26 per Share), the Company may repay, at 102% of the face value of the Notes in cash, all outstanding principal of the Notes by giving the Subscriber not less than 30 days' prior written notice (provided that the relevant Noteholder(s) does/do not exercise any right to convert its/their Note(s) into Conversion Shares within 14 business days after the date of the redemption notice)
Form:	The Notes are issued in registered form in the denomination of HK\$780,000 or any multiples of HK\$780,000. A certificate will be issued to the Subscriber in respect of its registered holding of Notes. Each Note and each certificate will be numbered serially with an identifying number which will be recorded on the relevant certificate and in a register which the Company will cause to be kept
Status:	The Notes constitute unsecured general obligations of the Company. The payment obligations of the Company under the Notes shall, save for such exceptions as may be provided by applicable legislation, rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Conversion Shares issued upon conversion of the Notes will in all respects rank pari passu with the Shares then in issue
Guarantee:	Mr. Chang and Mr. Tsai, being Directors of the Company, have agreed to provide unconditional and irrevocable personal guarantees in respect of the Company's obligations under the Notes. In addition, it is also a term of the Notes that Mr. Chang and Mr. Tsai will not, before the full redemption or conversion of the Notes, dispose of any Shares legally or beneficially owned by either one of them, resulting in either one of them ceasing to be the legal and beneficial owner of not less than 10% of the issued share capital of the Company
Listing:	No application will be made for the listing of, or permission to deal in, the Notes on the Stock Exchange or any other stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares
Transferability:	The Notes are freely transferable subject to compliance with all applicable laws and regulations

USE OF PROCEEDS AND REASONS FOR THE ISSUE OF NOTES

The issue of the Notes will, upon Completion, raise HK\$7.8 million and the Company intends to use such proceeds to repay the bridging loans, which were borrowed by the Company from the Subscriber in October and November 2002 for the purpose of financing the general working capital of the Company. The incidental expenses for the issuance of the Notes of approximately HK\$0.3 million will be financed by internal resources of the Company.

The aggregate principal amount of the bridging loans is US\$1,000,000, and the other principal terms of the bridging loans are as follows:–

- Interest: 1% per annum above the prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited
- Period: 1 month, subject to extension at Subscriber's discretion, but subject to Subscriber's request for full repayment on demand
- Principal: US\$300,000 (first bridging loan) and US\$700,000 (second bridging loan)
- The bridging loans were not secured by any assets of the Company
- The Company obligations under the bridging loans were guaranteed by Mr. Chang and Mr. Tsai

Since the bridging loans were extended by the Subscriber for the benefit of the Company on better than normal commercial terms (as the rate of interest under the bridging loans was lower than that offered by a banker of the Company) with no security over the assets of the Company being given to the Subscriber, the bridging loans fall within Rule 20.52(2) of the GEM Listing Rules and are exempted for disclosure and shareholders' approval requirements. The Directors have also confirmed that the financial position of the Group has also improved as compared with that as at 30th June, 2002 (which was disclosed in the Company's published half yearly report of 2002). The Directors estimate that the cash, current assets and current liabilities positions of the Group are currently at levels similar to those, as at 30th June, 2002 (which were disclosed in the Company's published half yearly report of 2002).

The issue of the Notes will improve the financial position and enhance the financing flexibility of the Group, which the Directors consider to be beneficial to the Group and the Shareholders of the Company taken as a whole. Furthermore, since the bridging loans were short term financing for a duration of one month, the issue of the Notes with a 15 month maturity period will allow the Company greater flexibility in managing its financial arrangements, and, in the event that the Notes are converted into Shares, the capital base of the Company will be further enhanced.

GENERAL

The Group is principally engaged in the provision of (i) communications services; (ii) Internet access and related services; and (iii) virtual private network and solutions services. Presently, the Group provides its services mainly to small and medium-sized enterprises principally in five Asian markets comprising Taiwan, Hong Kong, the PRC, Japan, Singapore, and the United States.

The Conversion Price represents a premium of approximately 21.2% to the closing price of HK\$0.165 per Share (as stated in the Stock Exchange's daily quotation sheet) on 29th November, 2002, being the date of the Subscription Agreement. The Conversion Price also represents a premium of approximately 25.8% to the average closing prices (as stated in the Stock Exchange's daily quotation sheets) of the Shares of HK\$0.159 per Share of the 10 dealing-day period ended on, and including, 29th November, 2002. The Conversion Price will be subject to adjustment in certain circumstances (including, amongst other things, consolidation or sub-division of the Shares, capitalisation of profits or reserves, capital distribution and rights or other issues of Shares and other convertible securities of the Company). The Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber taking into account (a) Share price at the time of negotiation of the terms of the Notes; (b) the current market sentiment; and (c) the amount of Shares that may potentially be issued upon full conversion of the Notes and the relative liquidity of the Shares on the Stock Exchange.

The terms of the Subscription Agreement and the Notes were agreed between the Company and the Subscriber after arm's length negotiation. The Directors consider that the terms of the Subscription Agreement and the Notes are fair and reasonable and the issue of the Notes is in the best interest of the Company and its Shareholders as a whole. Any alterations in the terms of the Notes after issue will be subject to the approval of the Stock Exchange, except where the alteration takes effect automatically under the terms of the Notes.

As at the date of this announcement, the issued share capital of the Company is HK\$5,753,824.56 comprising 575,382,456 Shares. KA Land (being the Subscriber) is currently the single largest shareholder of the Company, holding 143,802,864 Shares, representing approximately 24.99% of the existing issued share capital. The maximum number of new Shares which may be issued upon conversion of the Notes based on the initial Conversion Price of HK\$0.20 is 39,000,000 Shares, representing approximately 6.78% and approximately 6.35% of the existing issued share capital and the enlarged issued share capital (upon full conversion of the Notes), respectively of the Company. Assuming and after full conversion of the Notes at the initial Conversion Price of HK\$0.20 per Conversion Share, the shareholding interests of all the other shareholders of the Company will be proportionately diluted and the shareholding interest of KA Land in the Company will be increased from approximately 24.99% to approximately 29.75% upon such full conversion of the Notes.

CONNECTED AND DISCLOSEABLE TRANSACTION

The Subscriber is a substantial shareholder, and hence a connected person, of the Company. In addition, the consideration payable by the Subscriber for the Notes is HK\$7,800,000 (or approximately US\$1 million), which amount represents approximately 36.9% (being more than 15%) of the unaudited consolidated net tangible asset value of approximately US\$2.29 million of the Group as at 30th June, 2002 as adjusted by the issue of 39,000,000 Shares at HK\$0.20 per Share on 25th October, 2002 and the unaudited consolidated loss of the Group for the three months ended 30th September, 2002. The Subscription accordingly constitutes connected and discloseable transaction for the Company within the meaning of the GEM Listing Rules, because, as mentioned above, the Subscriber is a substantial shareholder of the Company. Accordingly, the Subscription is subject to the approval of the Shareholders at the EGM to be convened with the Subscriber abstaining from voting on the relevant resolution(s) at the EGM.

CIRCULAR

A circular of the Company, containing details of the Subscription Agreement and the Notes, the recommendation of the Company's independent board committee to the independent Shareholders and the advice of the independent financial adviser to be appointed to advise the independent board committee, together

with a notice convening the EGM, will be despatched to the Shareholders and the Stock Exchange and arrange for its publication as soon as practicable and in any event within 21 days after the date of this announcement.

INDEPENDENT BOARD COMMITTEE

An independent committee of the board of directors of the Company (comprising Mr. Vincent Chou and Mr. Michael Leung) has been formed to consider the Subscription Agreement and the terms of the Notes and to make its recommendation to the independent Shareholders.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Company”	Infoserve Technology Corp., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Subscription Agreement
“Conversion Price”	being HK\$0.20 per Conversion Share, subject to adjustment in accordance with the terms of the Instrument
“Conversion Rights”	the rights attached to the Notes pursuant to the exercise of which the holder(s) of the Notes is/are entitled to convert the principal amount or a part thereof into Shares
“Conversion Share(s)”	the Share(s) to be issued upon conversion of the Notes
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Current Market Price”	the average of the closing prices for one Share for the five Stock Exchange dealing days (on which Shares have traded) preceding the relevant date
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve the Subscription Agreement, the Subscription and the allotment and issue of the Conversion Shares under the Notes
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong)

“Guarantors”	Mr. Chang and Mr. Tsai
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Instrument”	the instrument creating the Notes to be executed by the Company and the Guarantors at Completion
“KA Land”	KA Land Pte Ltd., an investment holding company incorporated in Singapore with limited liability. It is a wholly-owned subsidiary of Singapore Telecommunications Limited and a substantial shareholder of the Company
“Maturity Date”	15 months after the date on which the Notes are issued
“Mr. Chang”	Chang Hsiao Hui (Michael Chang), a Director and a substantial Shareholder
“Mr. Tsai”	Tsai Jenp Luh (Phil Tsai), a Director and a substantial Shareholder
“Notes”	convertible notes of an aggregate principal amount of HK\$7,800,000 to be issued by the Company under the Subscription Agreement and the Instrument
“Share(s)”	ordinary shares of nominal value of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	KA Land
“Subscription”	the subscription by the Subscriber for the Notes on the terms and subject to the conditions set out in the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 29th November, 2002 entered into between the Company, the Subscriber and the Guarantors relating to the Subscription
“US\$”	United States dollar(s), the lawful currency of the United States of America.

By Order of the board of
Infoserve Technology Corp.
Tsai Jenp Luh
Chairman

Hong Kong, 29th November, 2002

This announcement, for which the directors of Infoserve Technology Corp. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Infoserve Technology Corp. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.infoserve-group.com.