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INFOSERVE TECHNOLOGY CORP.
英普達資訊科技公司*
(Incorporated in the Cayman Islands with limited liability)

**MAJOR TRANSACTION
AND
RESUMPTION OF TRADING**

The Company's wholly-owned subsidiary operating in Taiwan has agreed to sell to Powertec, a company incorporated in Taiwan and an independent third party, its Taiwan ISR Business at an aggregate cash consideration of NT\$30 million (approximately HK\$6.80 million). The Consideration has been fully paid by the Purchaser and Completion has taken place on 30th September, 2003.

According to the 2003 Interim Report, the Group's unaudited net liabilities were approximately US\$4,684,000 (approximately HK\$36.5 million) as at 30th June, 2003. Accordingly, the Disposal constitutes a major transaction of the Company pursuant to Rule 19.06 of the GEM Listing Rules and is subject to, among others, the Shareholders' approval pursuant to Rule 19.38 of the GEM Listing Rules. KA Land Pte Ltd., Messrs. Tsai Jenp Luh and Chang Hsiao Hui who in aggregate hold approximately 59.6% of the issued share capital of the Company and have no interest in the Disposal have given written consent to the Company to approve the Disposal Agreement and the transactions contemplated thereunder. Therefore, no Extraordinary General Meeting will be held to approve the Disposal. A circular containing details of the Disposal will be sent to the Shareholders for information within 21 days after publication of this announcement.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 13th August, 2003 pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 2nd October, 2003.

THE DISPOSAL AGREEMENT DATED 12TH AUGUST, 2003

Parties

Vendor: 英普達資訊科技股份有限公司 (Infoserve Technology Corporation), a wholly-owned subsidiary of the Company operating in Taiwan

Purchaser: Powertec Co., Ltd. (寶潤企業有限公司), a limited liability company incorporated in Taiwan, is owned by two individuals who are interested in 70% and 30% respectively in the registered capital of Powertec. Each of Powertec and its beneficial owners is independent of and not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates.

Save for the Disposal Agreement, the Purchaser has no other business relationship with the Group. As far as the Directors are aware, the Purchaser is principally engaged in the sales of software and electronic materials, configuration of computer equipments and international trading.

Business to be disposed

The Purchaser has agreed to acquire and the Vendor has agreed to dispose of its Taiwan ISR Business which means provision of local and international long-distance call services and voice connection with mobile phone users to its corporate customers in Taiwan. The Taiwan ISR Business that is subject to the Disposal includes revenues starting from the month of September 2003, customer accounts and equipment necessary for operating the Taiwan ISR Business. The Vendor has informed the customers of the Taiwan ISR Business of the Disposal. The customers may decide whether or not to continue using the services covered by the Taiwan ISR Business. There is no trademarks or patents relating to the Taiwan ISR Business and accordingly, no trademarks or patents will be transferred or licensed to the Purchaser as a result of the Disposal. The Vendor has also agreed to assist the Purchaser to set up its own billing system, accounting system, customer service system and debt collection system for the Taiwan ISR Business and to assist the Purchaser to apply for the Type II telecommunication business licence in Taiwan (the "Required Licence"), which is the only licence required for operating the Taiwan ISR Business. The Purchaser has made application to obtain the Required Licence and it is estimated that the Required Licence would be granted by early October 2003. The Vendor has also agreed to operate, free of charge, the Taiwan ISR Business for and on behalf of the Purchaser for one year commencing from the first day of the month immediately following Completion; thereafter, the Purchaser may engage the Vendor to provide the same services at a monthly service fee calculated on the basis of 5% of the monthly turnover generated from the Taiwan ISR Business.

After Completion, the Vendor will continue to operate the other communication services, Internet access business and the VPN business in Taiwan as stated in the Prospectus.

Conditions

Completion of the Disposal Agreement is subject to the following conditions:

- (i) the passing of the necessary resolutions by the Board and the Shareholders to approve the Disposal Agreement and the transactions contemplated thereunder;

- (ii) the passing of the necessary resolutions by the board of directors of the Vendor to approve the Disposal Agreement and the transactions contemplated thereunder;
- (iii) all necessary consents and approvals (including but not limited to any matters relating to the trading of the Shares on the Stock Exchange) having been obtained from the Stock Exchange in connection with the transactions contemplated under the Disposal Agreement; and
- (iv) the transactions as contemplated under the Disposal Agreement do not violate any relevant laws and regulations.

The Disposal Agreement has been approved by the board of directors of each of the Company and the Vendor. KA Land Pte Ltd, Messrs. Tsai Jenp Luh and Chang Hsiao Hui who in aggregate hold approximately 59.6% of the issued share capital of the Company and have no interest in the Disposal have given their written consent to the Company to approve the Disposal Agreement and the transactions contemplated thereunder. All the other conditions precedent to the Disposal Agreement have also been fulfilled and Completion has taken place on 30th September, 2003.

Consideration

The consideration for the Disposal Agreement is NT\$30 million (approximately HK\$6.80 million), inclusive of business tax chargeable at 5% which shall be borne by the Vendor. NT\$27.6 million (approximately HK\$6.3 million) has been paid by the Purchaser by the end of August 2003 and the remaining balance of NT\$2.4 million (approximately HK\$0.5 million) was paid in September 2003. In consideration for the full payment of the Consideration prior to Completion by the Purchaser, the Company agrees that the Purchaser shall be entitled to the revenue from the Taiwan ISR Business starting from the month of September 2003. The Purchaser shall be responsible for the network cost incurred for running the Taiwan ISR Business starting from the month of September 2003. The Vendor remains entitled to the revenue from the Taiwan ISR Business up to and including the month of August 2003.

The Consideration is determined after arm's length negotiation between the Vendor and the Purchaser and is determined with reference to the aggregate unaudited gross profits of approximately NT\$25 million (approximately HK\$5.67 million) generated from the Taiwan ISR Business for the five-month period covering the months of January and March to June of 2003 (the "Relevant Period"). The unaudited gross profits generated in the month of February 2003 has not been taken into account due to the long public holiday therein.

The Consideration is subject to adjustment in the following manner:

- (1) Pursuant to the Disposal Agreement, the Purchaser is entitled to conduct a due diligence review of the Taiwan ISR Business after signing of the Disposal Agreement. Such review shall be completed on or before 31st October, 2003. Upon completion of such due diligence review, in the event that the average monthly gross profits of the Taiwan ISR Business for the Relevant Period exceeds or falls short of NT\$5 million (approximately HK\$1.13 million) by more than

5% (the “Relevant Amount of Profits”), the Consideration will be adjusted upwards or downwards by the same monetary amount of the Relevant Amount of Profits. No adjustment to the Consideration will be made if the Purchaser fails to complete the aforesaid due diligence review and submit the relevant due diligence report to the Vendor on or before 31st October, 2003; or

- (2) In the event that the revenue for the month immediately following Completion (the “First Month Revenue”) exceeds or falls short of NT\$10 million (approximately HK\$2.27 million) by more than 5% (the “Relevant Amount of Revenue”), the Consideration will be adjusted upwards or downwards by the same monetary amount of the Relevant Amount of Revenue provided that such adjustment request is made within 5 days after the end of the next month immediately following the Completion; or
- (3) In the event that the bad debts (which means any accounts receivables that remain uncollectable after the 60th day from billing) arising from the First Month Revenue is higher than 3%, the Consideration shall be reduced by the same monetary amount that represents the actual bad debts in excess of the agreed 3% provided that such adjustment request is made within 65 days after the end of the next month immediately following the Completion.

In general, approximately 80% of the Group’s accounts receivable are settled within 60 days. The above-mentioned 3% and the 60th day for defining bad debts are agreed between the Vendor and the Purchaser with reference to the settlement history of the Group’s accounts receivables.

Non-competition undertaking

Each of the Vendor and the Purchaser has unconditionally and irrevocably undertaken that, within one year from the date of the Disposal Agreement, it will not, and will procure its subsidiaries and associated companies not to, directly or indirectly, recruit or solicit (i) any suppliers, customers or other business partners; and (ii) any employers, directors, senior management, executives, consultants or technicians of the other party to the Disposal Agreement.

Financial effect of the Disposal

Based on the net asset value of the Taiwan ISR Business of approximately HK\$0.3 million as at 31st July, 2003 and after providing for the expenses and tax incidental to the Disposal, a net gain of approximately HK\$5.9 million would be recognised in the consolidated income statements of the Group.

Reasons for the Disposal

As stated in the Prospectus and published accounts to Shareholders, the Group is principally engaged in (i) communication services including facsimile, the Taiwan ISR Business and other voice and basic communication services; (ii) Internet access and related services; and (iii) VPN and other solutions services.

Communication services (which include the Taiwan ISR Business) and Internet access services are the basic services while VPN and other solutions services are the more sophisticated services and require more advanced technology to implement. It is the Group's stated policy in the Prospectus to advance into the more sophisticated servicing sector and become one of the leading IP-based VPN and other solutions services providers focusing on certain Asian markets particularly the Greater China market. The Group has worked in line with that strategy and over the past financial years, VPN business has become an increasing business segment of the Group while revenue from communication service and Internet access and related services recorded a continuous decline.

The Disposal enables the Group to focus its resources on its growing VPN business in the Greater China market where the Group sees increasing demand for VPN from cross-border operations, which is in line with its strategy as set out in the Prospectus. The Disposal will not change the use of IPO proceeds and the business plan of the Group (the "Business Plan"), which covers the period from around the issue of the Prospectus in December 2001 up to and including December 2003, as stated in the Prospectus. The Business Plan has been substantially implemented and the proceeds raised from the public offering of the Shares in around December 2001 have been fully utilised in the manner as set out in the Prospectus, except for certain adjustments arising from reasons as fully explained in the Group's published financial reports to the Shareholders.

The Disposal will also generate additional working capital to improve the cashflow position of the Group. As reflected in the 2003 Interim Report, the Group had net current liabilities of approximately US\$10.8 million and net liabilities of approximately US\$4.7 million as at 30th June, 2003. The 2003 Interim Report has been prepared on a going concern basis in reliance of Mr. Chang's agreement to provide sufficient funding to enable the Group to meet in full its financial obligations for the period up to 30th June, 2004. The Group is operating under tight cashflow. The management is exploring various alternatives, including further cost cutting measures and fund raising activities, to improve the liquidity position of the Group. The payment schedule offered by the Purchaser is therefore considered to be in the interest of the Group, taking into account its cashflow position.

The Disposal has been approved by the Board at the Board Meeting at which the Directors consider that the terms of the Disposal are fair and reasonable and are of the view that the Disposal is in the interests of the Shareholders as a whole, having taken into account in particular the payment schedule offered by the Purchaser and the current financial position of the Group.

The Taiwan ISR Business accounted for approximately 17.9% of the Group's total revenue for the six months ended 30th June, 2003. Upon Completion, the Group will continue to provide other communication services, Internet access and related services and VPN and other solutions services.

Use of proceeds

The net proceeds of approximately HK\$6.2 million from the Disposal will be used as general working capital of the Group.

GEM Listing Rules implications

According to the 2003 Interim Report, the Group had an unaudited net liabilities of approximately US\$4,684,000 (approximately HK\$36.5 million) as at 30th June, 2003. Accordingly, the Disposal Agreement constitutes a major transaction of the Company pursuant to Rule 19.06 of the GEM Listing Rules and is subject to the approval of the Shareholders pursuant to Rule 19.38 of the GEM Listing Rules.

KA Land Pte Ltd., Messrs. Tsai Jenp Luh and Chang Hsiao Hui, being the Shareholders interested in approximately 59.6% of the issued share capital of the Company and have no interest in the Disposal Agreement, have given written consent to the Company to approve the Disposal Agreement. As such, no Extraordinary General Meeting will be held. A circular containing details of the Disposal will be sent to the Shareholders for information within 21 days after publication of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 13th August, 2003 pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 2nd October, 2003.

TERMS USED IN THE ANNOUNCEMENT

“2003 Interim Report”	the interim report of the Company for the six-month period ended 30th June, 2003
“associate(s)”	has the meaning given to it in the GEM Listing Rules
“ATM”	asynchronous transfer mode, a very high speed transmission technology. It is a high bandwidth, low-delay, connection-oriented, packet-like switching and multiplexing technique. The key difference between ATM and frame relay is that frame relay packets vary in size whereas each ATM cell is of a fixed size
“Board”	the board of Directors
“Board Meeting”	board meeting of the Company held on 7th August, 2003 to approve the Disposal Agreement and the transactions contemplated thereunder
“Company”	Infoserve Technology Corp., a company incorporated in the Cayman Islands with its Shares listed on the GEM board of the Stock Exchange

“Consideration”	NT\$30 million (approximately HK\$6.80 million), the consideration of the Disposal pursuant to the Disposal Agreement
“Directors”	the directors of the Company
“Disposal”	the proposed disposal by the Vendor of the Taiwan ISR Business to the Purchaser as agreed under the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 12th August, 2003 entered into between the Vendor and the Purchaser in relation to the Disposal
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be convened to approve the Disposal Agreement and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“IP”	Internet Protocol, a set of rules that specifies how information/ data packets should be addressed for transmission between computer systems
“ISR”	international simple resale, a business model whereby international carriers or service providers transmit capacity in bulk within a public network and resell it to customers
“Powertec” or the “Purchaser”	Powertec Co., Ltd. (寶潤企業有限公司), a company incorporated in Taiwan with limited liability and is independent of and not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates
“Prospectus”	the prospectus of the Company dated 28th December, 2001
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Taiwan ISR Business”	provision of local and international long-distance call services and voice connection with mobile phone users to its corporate customers in Taiwan
“Vendor”	英普達資訊科技股份有限公司 (Infoserve Technology Corporation), a wholly-owned subsidiary of the Company operating in Taiwan
“VPN”	virtual private network, a network that functions as if it were private although it exists on public wires. Data is protected through encryption and other security mechanisms. VPN service providers define a virtual private network as a WAN of permanent virtual circuits, generally using ATM or frame relay to transport IP. VPN technology providers define a virtual private network as the use of encryption software or hardware to bring privacy to communications over a public data network
“WAN”	a geographically dispersed telecommunication network which covers areas such as cities, states and countries, a broader telecommunication structure than that of a MAN (a metropolitan area network)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan

Amounts denominated in NT\$ have been converted into HK\$ at a rate of NT\$4.409 = HK\$1.0 and amounts denominated in US\$ have been converted into US\$ at a rate of US\$1.0 = HK\$7.8.

By order of the Board
Infoserve Technology Corp.
Chang Hsiao Hui, Michael
Managing Director

Hong Kong, 30th September, 2003

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.

** For identification purpose only*