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 **INFOSERVE<sup>®</sup>**  
**Infoserve Technology Corp.**

*(Stock code: 8077)  
(incorporated in the Cayman Islands  
with limited liability)*

**TENWAY LIMITED**

*(incorporated in the British Virgin Islands  
with limited liability)*

## **JOINT ANNOUNCEMENT**

### **PROPOSED SUBSCRIPTION OF NEW SHARES BY THE SUBSCRIBER, APPLICATION FOR THE WHITEWASH WAIVER AND DISPOSAL OF BUSINESS INTERESTS**

**Retained sponsor to the Company**



**Hantec Capital Limited**

**Financial adviser to the Company**

 **Somerley Limited**

**Joint financial advisers to the Subscriber**

**KIM ENG CAPITAL (HONG KONG) LIMITED  
AND  
KIM ENG CORPORATE FINANCE (HONG KONG) LIMITED**

#### **The Subscription Agreement**

On 18th March, 2004, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash for a total of 2,000,000,000 Shares at a subscription price of HK\$0.01 per Subscription Share. The Subscription Price represents a discount of 60% to the closing price of HK\$0.025 per Share as quoted on the Stock Exchange on 3rd November, 2003, being the Last Full Trading Day, and a discount of approximately 56.5% to the average closing price of HK\$0.023 per Share as quoted on the Stock Exchange over the last ten full trading days up to and including the Last Full Trading Day.

The 2,000,000,000 Subscription Shares represent approximately 347.59% of the existing issued share capital of the Company and approximately 77.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares to the Subscriber.

The net proceeds from the Subscription are estimated to be approximately HK\$19 million and the Directors intend to apply such net proceeds to repay outstanding indebtedness of the Group and as general working capital of the Remaining Group.

Under the GEM Listing Rules, the Subscription constitutes a major transaction of the Company and accordingly the transaction is subject to approval by the Shareholders.

### **Whitewash Waiver**

Upon completion of the Subscription, the Subscriber and parties acting in concert with it will hold approximately 77.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares to the Subscriber. In the absence of the Whitewash Waiver, the Subscriber and parties acting in concert with it will be required under Rule 26 of the Takeovers Code to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it. The Subscriber will make an application to the Executive pursuant to Note 1 to Notes on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which will be subject to the approval by the Independent Shareholders by way of a poll at the EGM and is a condition precedent to the completion of the Subscription Agreement. This condition cannot be waived by the Subscriber unless the Subscriber has demonstrated to the satisfaction of Kim Eng Capital (Hong Kong) Limited and Kim Eng Corporate Finance (Hong Kong) Limited that it has sufficient financial resources to fulfill its obligations of making a general offer for the Shares under Rule 26 of the Takeovers Code.

### **Disposals**

On 18th March, 2004, the Company entered into three separate sale and purchase agreements with Mr. Choi who is not a connected person of the Company (as defined under the GEM Listing Rules) whereby the Company agreed to dispose of its entire holding of shares in each of Infoserve Taiwan, Infoserve PRC and Infoserve US at a consideration of HK\$1.00, HK\$1.00 and US\$1.00, respectively. Under the GEM Listing Rules, each of the disposals by the Company of the respective equity interest in Infoserve Taiwan, Infoserve PRC and Infoserve US constitutes a major transaction of the Company and accordingly the transactions are subject to approval by the Shareholders. Completion of the Disposals is a condition precedent to the completion of the Subscription Agreement.

### **Suspension of Trading**

Trading in the Shares on GEM has been suspended since 2:30 p.m. on 4th November, 2003 at the request of the Company and will remain suspended until further notice. Hantec, the retained sponsor of the Company, will make a proposal on behalf of the Company to the Stock Exchange for the purpose of resuming trading in the Shares on GEM. Further announcement will be made to inform the Shareholders as regards the progress of such application for resumption of trading as and when appropriate. Consent in principle from the Stock Exchange to the resumption of trading in the Shares is also a condition precedent to the completion of the Subscription Agreement.

A circular containing, among other things, further details of the Subscription Agreement, the Disposals, the Whitewash Waiver, a letter of advice from the independent financial adviser, the recommendation from the independent committee of the Board together with the notice of the EGM will be despatched to the Shareholders as soon as possible within 21 days from the issue of this announcement.

**Shareholders should be aware of and take note that the Subscription Agreement and the Disposals are conditional upon satisfaction of certain conditions precedent. Therefore, the Subscription and the Disposals may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENT**

### **The Subscription**

Issuer: The Company

Subscriber: Tenway Limited, the Subscriber. The Subscriber is owned as to 30.62% by Worldtime Limited (“Worldtime”), 65.00% by Hopewell Global Limited (“Hopewell”) and 4.38% by Concord Pacific Global Limited (“Concord Pacific”). Worldtime is owned as to 99.00% by Dr. Li and 1.00% by Mr. Chang Jiaying. Hopewell is owned as to 75.00% by Mr. Gui and 25.00% by Dr. Li. Concord Pacific is owned as to 80.00% by Mr. Tang Xueyi and 20.00% by Ms. Cheung Kwan. The Subscriber and its ultimate beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company or parties acting in concert with any connected persons of the Company.

On 18th March, 2004, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash for a total of 2,000,000,000 Shares at a subscription price of HK\$0.01 per Subscription Share.

The 2,000,000,000 Subscription Shares represents approximately 347.59% of the existing issued share capital of the Company and approximately 77.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares to the Subscriber.

### **The Subscription Price**

The subscription price of HK\$0.01 per Subscription Share was determined after arm’s length negotiations between the Company and the Subscriber, after considering various commercial factors including the audited net deficit position of the Group of US\$1.6 million (equivalent to approximately HK\$12.5 million) as at 31st December, 2002, the losses incurred by the Company in the year of 2003 (details of which were disclosed in the paragraph headed “Information on the Group” below) which further deteriorated the Group’s net deficit position, the current operating and financial position of the Group and the effect of the Disposals. Details of the effect of the Disposals are set out in the below paragraph headed “Reasons for and effects of the Disposals”. The Board is of the view that the terms of the Subscription are fair and reasonable and in the interest of the Shareholders as a whole.

The Subscription Price represents a discount of 60% to the closing price of HK\$0.025 per Share as quoted on the Stock Exchange on 3rd November, 2003, being the last full trading day (the “Last Full Trading Day”) prior to the suspension of trading of the Shares as from 2:30 p.m. on 4th November, 2003 and a discount of approximately 56.5% to the average closing price of HK\$0.023 per Share as quoted on the Stock Exchange over the last ten full trading days up to and including the Last Full Trading Day.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the then issued Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.

### **Conditions of the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (i) the Subscriber being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Remaining Group as it may consider appropriate on or before the date falling 14 days after the date of publication of this announcement;
- (ii) the Listing Committee of GEM granting listing of and permission to deal in the Subscription Shares;
- (iii) the Independent Shareholders approving the transactions contemplated under the Subscription Agreement in the EGM including, but not limited to, the Whitewash Waiver in accordance with the Takeovers Code (such vote to be conducted by way of poll) and the allotment and issue of the Subscription Shares;
- (iv) the granting of a whitewash waiver by the Executive of the obligation of the Subscriber and parties acting in concert with it to extend a general offer to purchase the issued Shares (other than the Subscription Shares and Shares which are owned by the Subscriber and parties acting in concert with it) in accordance with the Takeovers Code;
- (v) consent in principle of the Stock Exchange to the lifting of the suspension, and the resumption, of the trading in the Shares on GEM, or if no such consent is granted by the Stock Exchange, the actual uplifting of the suspension, and the resumption, of the trading in the Shares on GEM;
- (vi) listing in the Shares on GEM not being revoked or withdrawn at any time immediately before the satisfaction of the last of the conditions precedent (other than the conditions set out in paragraphs (vi), (vii) and (xi));

- (vii) no indication being received from GEM or the SFC that the listing of the Shares on GEM will or may be revoked or withdrawn at any time after the Completion, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise immediately before the satisfaction of the last of the conditions precedent (other than the conditions set out in paragraphs (vi), (vii) and (xi));
- (viii) the Shareholders approving the increase in the authorised share capital of the Company from HK\$8,000,000 to HK\$50,000,000 by the creation of 4,200,000,000 Shares at the EGM;
- (ix) the completion of the PRC Operations Disposal Agreement, US Operations Disposal Agreement and the Taiwan Operations Disposal Agreement in accordance with their respective terms;
- (x) the withdrawal/discontinuance of the outstanding litigations pending or threatened against the Remaining Group, except the action brought by China Unicom International Limited against the Company;
- (xi) the representations, warranties and undertakings made by the Company remaining true, accurate and complete in all material respects immediately before the satisfaction of the last of the conditions precedent (other than the conditions set out in paragraphs (vi), (vii) and (xi));
- (xii) there being no deviation between the Management Accounts (which have been prepared on the basis of the unaudited financial statements of the Company, Infoserve Singapore and Infoserve Japan) and the Detailed Management Accounts (which would have been prepared on the basis of the financial statements of the Company, Infoserve Singapore and Infoserve Japan which have been audited as part of, and in the context of, the annual audit for the Group for the year ended 31st December, 2003) which, in the reasonable opinion of the Subscriber, is material and adverse in the context of the Remaining Group; and
- (xiii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription and the transactions contemplated under the Subscription Agreement having been obtained.

In the event that any of the conditions is not fulfilled or waived in full by 5:00 p.m. on 30th September, 2004 (or such other time and date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement shall cease and determine and the parties shall be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the Subscription Agreement. Conditions (iii) and (iv) above cannot be waived by the Subscriber unless the Subscriber has demonstrated to the satisfaction of Kim Eng Capital (Hong Kong) Limited and Kim Eng Corporate Finance (Hong Kong) Limited that it has sufficient financial resources to fulfill its obligations under Rule 26 of the Takeovers Code.

## **Completion**

Completion of the Subscription Agreement shall take place on the second business day following the date on which the above conditions are fulfilled or waived, as the case may be. Upon completion of the Subscription Agreement, the Subscriber will pay to the Company the aggregate consideration for the Subscription Shares of HK\$20 million.

## **Reasons for the Subscription**

Since September 2003, the Group has been operating under serious cashflow and liquidity problems. The Company has been looking for additional funding to alleviate the cashflow and liquidity problems of the Group. In particular, the Company had conducted negotiation with potential investors with a view to regenerating the business operation of the Group with new cash injected into the Company by way of a subscription of new Shares. On 18th March, 2004, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber agreed to subscribe an aggregate of 2,000,000,000 Shares at subscription price of HK\$0.01 each. The Directors believe that the financial position of the Remaining Group would be strengthened with the cash injection of HK\$20 million from the Subscription. The Company intends to approach its creditors to seek a debt restructuring so as to further improve the financial position of the Remaining Group.

## **Use of proceeds**

The net proceeds from the Subscription are estimated to be approximately HK\$19 million and the Directors intend to apply such net proceeds to repay indebtedness and as general working capital of the Remaining Group. As mentioned above, the Company intends to approach its creditors to negotiate a debt restructuring in order to further improve the financial position of the Remaining Group. In the circumstances, the exact allocation of the net proceeds to be used to repay liabilities and as general working capital cannot be ascertained at this stage and can only be fixed until conclusion of the negotiation on the debt restructuring with its creditors.

## **GEM Listing Rules Requirements**

Under the GEM Listing Rules, the Subscription constitutes a major transaction for the Company and further details of the transaction will be disclosed in the circular to be despatched to the Shareholders as soon as possible within 21 days from the issue of this announcement. Shareholders' approval for the Subscription will be sought at the EGM.

## CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company prior to and immediately following completion of the Subscription, based on the number of issued Shares as at the date of this announcement:

	As at the date of this announcement		After completion of the Subscription	
	<i>million Shares</i>	<i>%</i>	<i>million Shares</i>	<i>%</i>
Subscriber	–	–	2,000.0	77.66
Mr. Chang Hsiao Hui, Michael (“Mr. Chang”) ( <i>Note 1</i> )	103.2	17.93	103.2	4.01
Mr. Tsai Tun Chi (“Mr. T.C. Tsai”) ( <i>Note 1</i> )	1.2	0.20	1.2	0.05
KA Land ( <i>Note 2</i> )	143.8	24.99	143.8	5.58
Mr. Tsai Jenp Luh (“Mr. J.L. Tsai”) ( <i>Notes 2 &amp; 3</i> )	99.5	17.30	99.5	3.86
Other Public Shareholders	227.7	39.58	227.7	8.84
Total	<u>575.4</u>	<u>100.00</u>	<u>2,575.4</u>	<u>100.00</u>

*Notes:*

- (1) Mr. Chang and Mr. T.C. Tsai are Directors and therefore are not considered as public shareholders.
- (2) After completion of the Subscription, the respective interests of KA Land and Mr. J.L. Tsai will be diluted to below 10%. Therefore, both of them will cease to be connected persons of the Company and should be counted as part of the public float after completion of the Subscription.
- (3) Mr. J.L. Tsai was previously a Director but has resigned with effect from 26th January, 2004.

Immediately upon completion of the Subscription, the Subscriber will become the controlling Shareholder holding approximately 77.66% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares and the public float of the Company will be approximate 18.28% which is below the 25% minimum public float requirement of the GEM Listing Rules. The Directors and the Subscriber will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following completion of the Subscription to ensure that 25% of the issued Shares are in the hands of the public to comply with the GEM Listing Rules.

As at the date of this announcement, the Company has an aggregate of 2,280,000 outstanding Pre-IPO Share Options with an exercise price of HK\$0.70 each and an aggregate of 3,000,000 outstanding Post-IPO Share Options with an exercise price of HK\$1.212 each. The exercise in full of the subscription rights attaching to these share options would result in the issue of an aggregate of 5,280,000 Shares. Moreover, upon conversion of the Convertible Notes and the Warrants in full, the Company would need to issue an additional 39,000,000 new Shares and 4,721,040 new Shares respectively, before taking into account any adjustment that may arise as a result of the Subscription. Save for the aforesaid, the Company has no other outstanding options, warrants, derivatives or other securities that are convertible into Shares.

## **INFORMATION ON THE SUBSCRIBER**

The Subscriber is a special purpose vehicle and has not carried on any substantive business activities since its incorporation on 25th November, 2003 other than the entering into of the Subscription Agreement. The Subscriber is owned as to 30.62% by Worldtime, 65.00% by Hopewell and 4.38% by Concord Pacific. Worldtime is owned as to 99.00% by Dr. Li and 1.00% by Mr. Chang Jiaying. Hopewell is owned as to 75.00% by Mr. Gui and 25.00% by Dr. Li. Concord Pacific is owned as to 80.00% by Mr. Tang Xueyi and 20.00% by Ms. Cheung Kwan. The brief biographical details of Mr. Gui and Dr. Li are as follows:

Mr. Gui, aged 49, graduated from Jianxi Technical College (江西工學院) (presently known as Nanchong University) in 1980. Mr. Gui has substantial management experience in various industries including information technology, automobile and digital technology. He is presently the managing director of a private investment holding company in the PRC.

Dr. Li, aged 31, graduated from Zhejiang University with a bachelor degree and, a doctor degree in optical engineering in 1994 and 2000 respectively. Dr. Li has several years of experience in research and development in the field of optical and digital technology in Japan and the PRC. She is presently the managing director of a private digital technology company in the PRC.

Save for the entering into of the Subscription Agreement, neither the Subscriber nor parties acting in concert with it have dealt in the Shares in the last six months prior to the date of the Subscription Agreement.

### **Management**

Mr. Gui and Dr. Li would be nominated by the Subscriber to the Board upon completion of the Subscription Agreement. The Subscriber may procure further members to be appointed to the Board at or following completion of the Subscription Agreement. Details of the new Directors to be nominated by the Subscriber would be disclosed in the circular as regards, among others, the Subscription to be despatched to the Shareholders.

## **TAKEOVERS CODE IMPLICATIONS FOR THE SUBSCRIBER**

Upon completion of the Subscription Agreement, the Subscriber and its concert parties will hold approximately 77.66% of the enlarged issued share capital of the Company. In the absence of the Whitewash Waiver, the Subscriber and parties acting in concert with it will be required under Rule 26 of the Takeovers Code to make a general offer for all the issued Shares not already owned or controlled by the Subscriber and parties acting in concert with it. The Subscriber will, however, make an application to the Executive pursuant to Note 1 to Notes on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which will be subject to the approval by the Independent Shareholders.

The grant of the Whitewash Waiver from the Executive is one of the conditions precedent to the Subscription Agreement. If the Whitewash Waiver is granted, the Subscriber will not be required to make a general offer to Shareholders under Rule 26 of the Takeovers Code as a result of the allotment and issue of the Subscription Shares.



Upon completion of the Subscription Agreement, the Subscriber will hold more than 50% of the enlarged issued share capital of the Company. Accordingly, so long as the minimum 25% public float requirement of the GEM Listing Rules is observed, the Subscriber may purchase and/or subscribe for additional Shares without triggering any further obligation for a general offer under the Takeovers Code.

Other than pursuant to the Subscription Agreement, neither the Subscriber nor any parties acting in concert with it was interested in any Shares, options, warrants, derivatives or securities convertible into Shares as at the date of this announcement, nor had they dealt in the Shares during the six months prior to the date of the Subscription Agreement.

## **THE DISPOSAL OF THE BUSINESS INTERESTS IN TAIWAN, THE PRC AND THE UNITED STATES**

Vendor: the Company

Purchaser: Mr Choi Wai Him (“Mr Choi”), who is not a Shareholder nor a connected person (as defined under the GEM Listing Rules) of the Company, or of the Subscriber, or a party acting in concert with any of them.

On 18th March, 2004, the Company and Mr. Choi entered into three sets of separate agreements being the Taiwan Operations Disposal Agreement, the PRC Operations Disposal Agreement and the US Operations Disposal Agreement pursuant to which the Company agreed to sell and Mr. Choi agreed to acquire from the Company its entire equity interest in each of Infoserve Taiwan, Infoserve PRC and Infoserve US at a consideration of HK\$1.00, HK\$1.00 and US\$1.00 respectively. The considerations for the Disposals were arrived at after arm’s length negotiation between the Company and Mr. Choi after considering factors as stated in the paragraph headed “Reasons for and effects of the Disposals” below. Pursuant to the terms of the Disposal Agreements, the inter-company balances between Infoserve Taiwan, Infoserve PRC and Infoserve US and the members of the Remaining Group and Infoserve HK would be waived, save that any payables due to Infoserve HK will not be waived as Infoserve HK is in liquidation and the Company is no longer able to procure such a waiver. The Board is of the view that the terms of the Disposals are fair and reasonable and in the interest of the Shareholders as a whole.

Completion of the Disposals is conditional upon:

- (i) the approval by the Shareholders of the Disposal Agreements and transactions contemplated therein; and
- (ii) all other necessary consents and approvals (including approvals and consents from governmental and regulatory authorities) for the entering into of the Disposal Agreements and the implementation of the transactions contemplated therein.

The expected completion date for the disposals of (i) Infoserve Taiwan and Infoserve US is 1st September, 2004 and (ii) Infoserve PRC is the date falling one business day following the date of approval by the Ministry of Commerce in the PRC of the sale of the entire interest in Infoserve PRC, or such other date as may be agreed between the Company and Mr. Choi.

## Principal business of the Infoserve Taiwan, Infoserve PRC and Infoserve US

Infoserve Taiwan and Infoserve US were previously engaged in the provision of communications services, Internet access and related services, VPN and other solution services in Taiwan and United States respectively. Infoserve Taiwan ceased trading in November 2003, and Infoserve US has been dormant since the beginning of 2003. Infoserve PRC was previously a sale and representative office providing technical support and consultancy services to the Group's ISP partners in the PRC. Infoserve PRC ceased operations in November 2003.

The following is a summary of the net losses of the Group for the three years ended 31st December, 2003 and its net deficit position as at 31st December, 2003, the net losses of Infoserve Taiwan, Infoserve PRC and Infoserve US for the past three years or period and their net deficit position as at 1st October, 2003:

	Net loss for the year ended			Net deficit
	2001	31st December, 2002	2003	as at 31st December, 2003
	(in thousands)	(in thousands)	(in thousands)	(in thousands)
The Group (Note 1)	US\$27,526 (equivalent to approximately HK\$214,703)	US\$8,631 (equivalent to approximately HK\$67,322)	US\$1,459 (equivalent to approximately HK\$11,380)	US\$2,616 (equivalent to approximately HK\$20,405)
	Net loss for the year/period ended			Net deficit
	31st December, 2001	31st December, 2002	1st October, 2003	as at 1st October, 2003
	(in thousands)	(in thousands)	(in thousands) (Note 5)	(in thousands) (Note 5)
Infoserve Taiwan (Note 2)	NT\$625,967 (equivalent to approximately HK\$146,152)	NT\$73,462 (equivalent to approximately HK\$17,152)	NT\$378,287 (equivalent to approximately HK\$88,323)	NT\$163,650 (equivalent to approximately HK\$38,209)
Infoserve PRC (Note 3)	RMB2,142 (equivalent to approximately HK\$2,021)	RMB3,134 (equivalent to approximately HK\$2,957)	RMB1,774 (equivalent to approximately HK\$1,674)	RMB1,708 (equivalent to approximately HK\$1,611)
Infoserve US (Note 4)	US\$3,711 (equivalent to approximately HK\$28,946)	US\$1,922 (equivalent to approximately HK\$14,992)	US\$178 (equivalent to approximately HK\$1,388)	US\$3,217 (equivalent to approximately HK\$25,093)

*Notes:*

- (1) Figures for the three years ended 31st December, 2003 are based on the audited reports of the Company. The results of the Group for the year ended 31st December, 2003 have included results from Infoserve Taiwan, Infoserve PRC, Infoserve US and Infoserve HK for the period from 1st January, 2003 to 1st October, 2003. As regards the Group's net deficit as at 31st December, 2003, the figure does not include assets and liabilities of Infoserve Taiwan, Infoserve PRC, Infoserve US and Infoserve HK which have been deconsolidated from the Group's accounts since 1st October, 2003.
- (2) Figures for the two years ended 31st December, 2002 are based on the audited accounts of Infoserve Taiwan for the year ended 31st December, 2002 prepared by its Taiwan auditors.
- (3) Figures for the two years ended 31st December, 2002 are based on the audited accounts of Infoserve PRC for the two years ended 31st December, 2002 prepared by its PRC auditors.
- (4) Figures for the two years ended 31st December, 2002 are based on the unaudited management accounts of Infoserve US prepared by the Company.
- (5) As set out fully on pages 8 to 10 of the Company's annual report for the year ended 31st December, 2003, the Company ceased to exercise control over the financial and operational affairs of Infoserve Taiwan, Infoserve PRC, Infoserve US and Infoserve HK since 1st October, 2003. As a result, the books and records of Infoserve Taiwan, Infoserve PRC, Infoserve US and Infoserve HK were last updated to 1st October, 2003 only and since then these companies have been de-consolidated from the Group's accounts.

### **Reasons for and effects of the Disposals**

As mentioned in the Company's announcement dated 27th November, 2003, the business operations of Infoserve Taiwan has been suspended since 14th November, 2003 due to staff departure and disconnection of services by network service providers in Taiwan. In addition, an injunction order was imposed on Infoserve Taiwan by a court in Taiwan which prevents the collection of certain trade receivables from its major customers. In view of the above, it is believed that the collection of such receivables would be a lengthy and difficult process and full recovery would be unlikely. Details of litigations against Infoserve Taiwan are set out in the paragraph headed "Litigation" below.

The suspension of the Group's operations in Taiwan also has negative impacts on Infoserve PRC whose principal activity was the provision of support services to customers of Infoserve Taiwan with operation in the PRC. Both Infoserve Taiwan and Infoserve PRC were operating at a loss for the two years ended 31st December, 2002. As regards Infoserve US, it has been dormant since the beginning of 2003.

In the past months, the Company has reviewed and considered various measures and it is decided that the Group should carry out a corporate restructuring which would enable the Group to divest loss-making operations and improve the financial condition. The disposal of the Group's operations in Taiwan, the PRC and US would enable the Group to extinguish the significant outstanding liabilities of Infoserve Taiwan, Infoserve PRC and Infoserve US. For reference purpose, the aggregate outstanding liabilities of Infoserve Taiwan, Infoserve PRC and Infoserve US with third parties as at 1st October, 2003 was approximately US\$21.3m

(equivalent to approximately HK\$166.1m). On this basis, the Company believes that the implementation of the group restructuring through the Disposals is in the interest of the Shareholders as a whole.

The gain to the Group arising from the Disposals is approximately US\$5.2 million (equivalent to approximately HK\$40.6 million). Following completion of the Disposals, the Company would focus its resources on its business in Japan and Singapore. Other members of the Remaining Group would include the Company, Infoserve Japan and Infoserve Singapore. For reference purpose, the turnover of the Group, Infoserve Taiwan, Infoserve HK, Infoserve Singapore and Infoserve Japan for the year ended 31st December, 2003 were approximately US\$17.0 million (equivalent to approximately HK\$132.6 million), US\$14.5 million (equivalent to approximately HK\$113.1 million), US\$0.3 million (equivalent to approximately HK\$2.3 million), US\$1.83 million (equivalent to approximately HK\$14.27 million) and US\$0.27 million (equivalent to approximately HK\$2.11 million) respectively. Infoserve US and Infoserve PRC did not have any turnover for the year ended 31st December, 2003. The Remaining Group recorded a net loss of approximately US\$1.46 million (equivalent to approximately HK\$11.38 million) for the year ended 31st December, 2003, which included a net loss of US\$49,837 (equivalent to approximately HK\$388,729) attributable to Infoserve Singapore and a net profit of approximately US\$26,753 (equivalent to approximately HK\$208,673) attributable to Infoserve Japan. Infoserve HK is now in liquidation. As Infoserve HK ceased trading in November 2003 and has negligible negative net assets, its liquidation would not have significant impact on the financial and operating position of the Group.

### **GEM Listing Rules Requirements**

Under the GEM Listing Rules, each of the disposals of the entire holding of shares in Infoserve Taiwan, Infoserve PRC and Infoserve US by the Company constitutes a major transaction for the Company and further details of the Disposals will be provided in the circular to be despatched to the Shareholders. Shareholders' approval for the transactions under the Disposals will be sought at the EGM.

### **INFORMATION ON THE GROUP**

The Group is principally engaged in the provision of communications and Internet access and related services. Following completion of the disposals of the Group's operations in Taiwan, the PRC and US, the Remaining Group will continue to carry out the existing business mentioned above but will focus in Japan and Singapore.

Infoserve Singapore is mainly engaged in the provision of communications services, Internet access and related services in Singapore. Since the beginning of year 2003, Infoserve Singapore has adopted a revenue sharing management model in order to streamline the operations and reduce operating costs. The Group has appointed an experienced telecommunications manager (the "Manager") to manage its operations in Singapore. The remuneration to the Manager is determined by reference to the performance of the operations of Infoserve Singapore. Since adoption of the model, Infoserve Singapore recorded a significant increase of over four times in total revenue to approximately US\$1.8 million (equivalent to approximately HK\$14.0 million) for the year of 2003 and the number of customers of the operations has also been increased by more than three times to 850 customers by the end of 2003.

Infoserve Japan is mainly engaged in the provision of systems integration and network management services. The Group has developed a business relationship with FLAP, a Japanese mobile communications operator. The Group has built and operates an integrated platform for the provision of facsimile, voice, video conference and internet access services to FLAP's personal digital assistant users in Japan.

Based on the annual report of the Company for 2003, the net loss attributable to Shareholders for each of the two years ended 31st December, 2003 were approximately US\$8.63 million (equivalent to approximately HK\$67.32 million) and US\$1.46 million (equivalent to approximately HK\$11.39 million) respectively and the audited consolidated net deficit of the Remaining Group as at 31st December, 2003 was approximately US\$2.62 million (equivalent to approximately HK\$20.44 million). For details of the financial information of the Group for the year ended 31st December, 2003, please refer to the 2003 annual report of the Company despatched on 31st March, 2004.

As mentioned in paragraph headed "Reasons for and effects of the Disposals" above, the Group has experienced liquidity problem and disruption in business operation in Taiwan and PRC since November 2003. After reviewing and considering various measures and proposals, the Company believes that the implementation of the Disposals and the Subscription is in the interest of the Shareholders as a whole. The benefits of the Disposals and the Subscription include the extinguishment of a significant portion of the Group's liabilities and the improvements in its financial position. In addition, following completion of the proposal, the management of the Company can refocus their efforts on the development of the Remaining Group's business.

#### **FUTURE INTENTIONS OF THE SUBSCRIBER**

The Subscriber has no intention of injecting any assets or business to the Remaining Group. Following completion of the Subscription Agreement, the Subscriber intends that the Remaining Group will continue its existing business of provision of communications and internet access and related services and explore business opportunities in other sectors which can complement the Remaining Group's business. The Subscriber does not intend to re-deploy or dispose of any of the assets of the Remaining Group other than in the ordinary course of business. The directors of the Subscriber will conduct a review of the financial positions and operations of the Remaining Group with a view to strengthening the operations and enhancing future development of the Remaining Group after completion of the Subscription Agreement.

It is the intention of the Subscriber to maintain the listing of the Company on the Stock Exchange. **The Stock Exchange has stated that it will closely monitor the dealing in the Shares on the Stock Exchange. The Stock Exchange has also stated that, if less than 25% of the issued Shares are in public hands following completion of the Subscription, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.**

**The Stock Exchange has stated that if the Company remains as a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. Any acquisitions or disposals of assets by the Company will be subject to the provisions of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Stock**

**Exchange has the discretion to require the Company to issue an announcement and/or a circular to its shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the GEM Listing Rules to aggregate a series of acquisitions of assets by the Company and any such acquisitions may result in the Company being treated as if it were a new listing applicant and subject to the requirements of new listing applications as set out in the GEM Listing Rules.**

## **INCREASE IN AUTHORISED SHARE CAPITAL**

The existing authorised share capital of the Company consists of 800,000,000 Shares, of which 575,382,456 Shares were in issue as at the date of this announcement. The Directors proposed to increase the authorised share capital of the Company from HK\$8,000,000 to HK\$50,000,000 by the creation of an additional 4,200,000,000 Shares. The proposed increase in authorised share capital of the Company is subject to approval by the Shareholders at the EGM.

## **LITIGATION**

### **The Company**

On 2nd January, 2004, the Company was served a writ of summons by a legal practitioner in respect of an outstanding amount of approximately HK\$197,697 owed by the Company for legal services. As stated in the Company's announcement dated 21st January, 2004, the Company has reached an agreement with the said legal practitioner on the settlement of the amount.

### **Infoserve HK (in liquidation)**

Reference is made to the Company's announcement dated 8th January, 2004, a winding up order was made against Infoserve HK on 7th January, 2004 following a petition filed in respect of monies owed by the Group to Wing Siu Company Limited in the sum of approximately HK\$332,938 (the "Debts") together with interest and legal costs. The Debts were alleged to be the rents, rates and management fee for the Group's principal place of business in Hong Kong. As announced by the Company in an announcement dated 21st January, 2004, the Company was informed by the former company secretary of Infoserve Hong Kong that Ms. Fenn Kar Bak, Lily and Mr. Tse To Chuen were appointed as the provisional liquidators on 7th January, 2004.

### **Infoserve HK (in liquidation) and the Company**

It was stated in the announcement of the Company dated 30th September, 2003 that the Company and Infoserve HK were served a high court writ dated 19th August, 2003 by China Unicom International Ltd ("China Unicom"). The claim was in respect of amounts alleged to be owed by Infoserve HK to China Unicom for international roaming and internet and/or other computer networking services provided under four agreements entered into between the two parties. The Company believes that it has grounds to defend this claim.

A summary judgment was obtained by China Unicom on 13th February, 2004 for an amount of approximately HK\$3,233,628. The Company filed an appeal based on factual disputes on plaintiff's claim against this judgment on 23rd February, 2004 and the appeal hearing is scheduled for 29th April, 2004. The Company maintains the view that it has grounds to defend

this claim. Nonetheless, as the Company is keen to seek a resolution of its outstanding litigation as soon as possible, the Company is negotiating a settlement arrangement with China Unicom. On or about 12th March, 2004, China Unicom obtained a garnishee order over a bank account of the Remaining Group which has a balance of approximately HK\$290,000. The Company is currently in negotiation with China Unicom to seek a vacation of such order.

### **Infoserve Taiwan**

As announced by the Company on 27th November, 2003, Infoserve Taiwan has been in dispute with two former employees (the “Former Employees”) in relation to certain amounts allegedly owed to them in respect of unpaid salaries. The aggregate amount of the claim by the former employees is approximately NT\$2 million (equivalent to approximately HK\$0.47 million). The Former Employees obtained an injunction order from a Taiwan court which prevents the collection by Infoserve Taiwan of certain trade receivables from its major customers. It is estimated that the total trade receivables being withheld by those customers who are subject to the injunction order amount to approximately US\$0.44 million (equivalent to approximately HK\$3.4 million) as of 4th November, 2003. In addition, Infoserve Taiwan has received claims in respect of amounts alleged to be owing to three other former employees and two creditors. The aggregate amount of such claims is approximately NT\$5 million (equivalent to approximately HK\$1.17 million). Apart from disclosed above, the Company is not aware of any other legal actions taken by the former employees against the Group.

Save for the above-mentioned, neither the Company nor its subsidiaries is involved in any material litigation or arbitration.

### **GENERAL**

**Shareholders should be aware of and take note that the Subscription Agreement and the Disposals are conditional upon satisfaction of certain conditions, in particular the conditions relating to the obtaining of listing approval for the Subscription Shares and the resumption of trading of the Shares which are subject to the Company being able to demonstrate to the Stock Exchange that, among other things, the Remaining Group is suitable for listing, has a sufficient level of operation and is able to comply with other relevant requirements as stipulated under the GEM Listing Rules. The listing approval for the Subscription Shares may or may not be obtained from and the resumption of trading of the Shares may or may not be permitted by the Stock Exchange, and the Company may or may not be able to fulfill the other relevant requirements as stipulated under the GEM Listing Rules. The Subscription and the Disposals may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

An independent board committee of the Company has been established comprising Mr. Leung Hong Tai and Mr. Ip Man Tin, David, both of whom are independent non-executive Directors, to consider and make recommendation to the Independent Shareholders as regards the Whitewash Waiver. Altus Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company in respect of the Whitewash Waiver.

An application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

A circular containing, among other things, further details of the Subscription Agreement, the Disposals, the Whitewash Waiver, a letter of advice from the independent financial adviser, the recommendation from the independent committee of the Board together with the notice of the EGM will be despatched to the Shareholders as soon as possible within 21 days from the issue of this announcement.

Trading in the Shares has been suspended since 2:30 p.m. on 4th November, 2003 at the request of the Company and will remain suspended. Hantec, the retained sponsor of the Company, will make a proposal on behalf of the Company to the Stock Exchange for the purpose of seeking a resumption of trading in the Shares. Further announcement will be made to inform the Shareholders as regards the progress of such application for resumption of trading as and when appropriate.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Infoserve Technology Corp., a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Convertible Notes”	the convertible notes for an aggregate principal amount of HK\$7,800,000 issued by the Company on 13th January, 2003 to KA Land entitling it to convert in whole or in part, into Shares at a conversion price of HK\$0.20 per Share, subject to adjustment. The convertible notes are exercisable by KA Land until their expiry on 12th April, 2004, unless there is a default in repayment, then the conversion rights will survive
“Directors”	the directors of the Company
“Detailed Management Accounts”	the pro forma unaudited consolidated financial statement of the group comprising the Company, Infoserve Japan and Infoserve Singapore for the year ended 31st December, 2003 which were prepared on the basis of the financial statements of the Company, Infoserve Japan and Infoserve Singapore for the year ended 31st December, 2003 (which have been audited as part of, and in the context of, the annual audit for the Group for the year ended 31st December, 2003)
“Disposals”	the disposals by the Company of the equity interest in each of Infoserve PRC, Infoserve Taiwan and Infoserve US



“Disposal Agreements”	collectively Taiwan Operations Disposal Agreement, PRC Operations Disposal Agreement and US Operations Disposal Agreement
“Dr. Li”	Dr. Li Fang Hong, the spouse of Mr. Gui who together is the controlling shareholder of the Subscriber
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of passing the resolutions approving, among other things, the Subscription Agreement, the Disposals, the Whitewash Waiver and the increase in authorised capital
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“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 all its subsidiaries including Inforserve Singapore, Inforserve Japan, Inforserve Taiwan, Inforserve PRC, Inforserve US and Inforserve HK
“Hantec”	Hantec Capital Limited, a corporation licensed under the SFO and has been appointed as the retained sponsor of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than those who are involved in, or interested in, the Subscription
“Inforserve HK”	Inforserve Technology Hong Kong Limited, a company incorporated in Hong Kong with limited liability
“Inforserve Japan”	Inforserve Technology K.K., a company incorporated in Japan with limited liability
“Inforserve PRC”	北京英普達資訊科技有限公司, a company established in the PRC as a wholly foreign owned enterprise
“Inforserve Singapore”	Inforserve Technology Pte Ltd., a company incorporated in Singapore with limited liability
“Inforserve Taiwan”	Inforserve Technology Corporation, a company incorporated in Taiwan with limited liability

“Infoserve US”	Infoserve Telecom Corp., a company incorporated in New Jersey, US with limited liability
“KA Land”	KA Land Pte Ltd., a company incorporated in Singapore and is wholly-owned by Singapore Telecommunications Limited, a company listed on the Stock Exchange of Singapore. KA Land is a substantial shareholder holding approximately 24.99% shareholding interest in the Company
“Mr. Gui”	Mr. Gui Song, the spouse of Dr. Li who together is the controlling shareholder of the Subscriber
“Management Accounts”	the pro forma unaudited consolidated financial statement of the group comprising the Company, Infoserve Japan and Infoserve Singapore for the year ended at 31st December, 2003
“Pre-IPO Share Options”	the share options granted under the pre-IPO share option scheme adopted by the Company on 10th September, 2001 in respect of 2,280,000 Shares, exercisable on or before 20th December, 2011 at an exercise price of HK\$0.70 per Share
“Post-IPO Share Options”	the share options granted under the share option scheme adopted by the Company on 21st December, 2001 in respect of 3,000,000 Shares, exercisable on or before 31st December, 2005 at an exercise price of HK\$1.212 per Share
“PRC”	People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Operations Disposal Agreement”	the agreement dated 18th March, 2004 entered into between the Company and Mr. Choi pursuant to which the Company has agreed to dispose of the entire interest of the Company in Infoserve PRC to Mr. Choi
“Remaining Group”	the Group comprising the Company, Infoserve Japan and Infoserve Singapore but excluding Infoserve HK (in liquidation), Infoserve Taiwan, Infoserve PRC and Infoserve US
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Tenway Limited, an investment holding company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber upon and subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18th March, 2004 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.01, equivalent to the nominal value of each Share and being the subscription price of each Subscription Share
“Subscription Shares”	2,000,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Taiwan Operations Disposal Agreement”	the agreement dated 18th March, 2004 entered into between the Company and Mr. Choi pursuant to which the Company has agreed to dispose of the entire interest of the Company in the share capital of Infoserve Taiwan to Mr. Choi
“US Operations Disposal Agreement”	the agreement dated 18th March, 2004 entered into between the Company and Mr. Choi pursuant to which the Company has agreed to dispose of the entire issued share capital of Infoserve US to Mr. Choi
“United States” or “US”	The United States of America
“VPN”	Virtual private network, a network that functions as if it was private through the use of encryption software or hardware although it exists on public wires
“Warrants”	the stock subscription warrant dated 18th September, 2000 and as amended by a deed of variation dated 18th December, 2001 and entitling Cisco System Capital Corporation to subscribe an aggregate of 4,721,040 Shares at a subscription price of HK\$0.7887 per Share, subject to adjustment. The warrants are exercisable by Cisco System Capital Corporation until its expiry on 18th September, 2005
“Whitewash Waiver”	the waiver from the Executive pursuant to Note 1 to Notes on Dispensations from Rule 26 of the Takeovers Code

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of United States
“%”	per cent.

For the purposes of this announcement, amounts in US dollars have been translated into Hong Kong dollars at the exchange rate of US\$1 = HK\$7.8, amounts in RMB have been translated into Hong Kong dollars at the exchange rate of RMB1.06 = HK\$1 and amounts in NT\$ have been translated into Hong Kong dollars at the exchange rate of NT\$4.283 = HK\$1.

By order of the board  
**Infoserve Technology Corp.**  
**Yu Shu Kuen**  
*Chairman*

By order of the board  
**Tenway Limited**  
**Gui Song**  
*Director*

*As at the date of this announcement, the Board comprises Mr. Yu Shu Kuen, Mr. Tsai Tun Chi and Mr. Chang Hsiao Hui, Michael who are executive Directors, and Mr. Ip Man Tin, David and Mr. Leung Hong Tai who are independent non-executive Directors.*

Hong Kong, 1st April, 2004

*The Directors (save for Mr. Chang who cannot be contacted at his last known correspondence addresses) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Subscriber) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than information relating to the Subscriber) have been arrived at after due and careful consideration and there are no other facts (other than information relating to the Subscriber) not contained in this announcement the omission of which would make any statement in this announcement (other than information relating to the Subscriber) misleading.*

*The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group) not contained in this announcement the omission of which would make any statement (other than that relating to the Group) in this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.infoserve-group.com).*