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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 loan capitalisation and subscription of new shares

Retained sponsor to the Company



Hantec Capital Limited

Financial adviser to the Company



Somerley Limited

Joint financial advisers to Tenway Limited

KE CAPITAL (HONG KONG) LIMITED

(formerly known as Kim Eng Capital (Hong Kong) Limited)

AND

KIM ENG CORPORATE FINANCE

(HONG KONG) LIMITED

Background

As set out in the Announcement, the Company would, after entering into the Subscription Agreement, approach its creditors to negotiate a debt restructuring in order to further improve the financial position of the Remaining Group. The Company has reached agreements with creditors to restructure its indebtedness, which include deferred payment term, waiver of part of the indebtedness and loan capitalisation. The Board would like to announce details of the Loan Capitalisation Agreement and the Second Subscription Agreement pursuant to the Company's general obligation to keep the market informed of all price sensitive information under the GEM Listing Rules.

The Loan Capitalisation

On 12th May, 2004, Success Harmony, the Company and Mr. Yu entered into the Loan Capitalisation Agreement whereby the Company agreed to allot and issue the Capitalisation Shares to Success Harmony, credited as fully paid by way of capitalisation of part of the principal amount of the Loan (amounting to HK\$2.6 million) together with the interests accrued and to be accrued on the entire principal amount of the Loan up to and including the date of completion of the Loan Capitalisation Agreement, and Success Harmony agreed to subscribe for the Capitalisation Shares subject to the terms and conditions of the Loan

Capitalisation Agreement. For reference purpose, the amount of interest accrued on the principal amount of the Loan up to and including 30th April, 2004 was approximately HK\$89,333. On this basis, a total of approximately 268,933,300 Capitalisation Shares will be allotted and issued to Success Harmony under the Loan Capitalisation. The remaining balance of the Loan amounting to HK\$1.4 million will be repaid by the Company in cash at the completion of the Loan Capitalisation Agreement. The cash repayment of HK\$1.4 million will be financed by the proceeds of HK\$1.4 million to be raised from the Second Subscription.

The Capitalisation Shares represent approximately 46.74% of the existing issued share capital of the Company and approximately 9.01% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Second Subscription Shares and the Capitalisation Shares.

The Second Subscription

On 12th May, 2004, the Company and Goodfit Properties entered into the Second Subscription Agreement pursuant to which the Company agreed to allot and issue and Goodfit Properties agreed to subscribe in cash for a total of 140,000,000 Second Subscription Shares at a subscription price of HK\$0.01 per Second Subscription Share. The 140,000,000 Second Subscription Shares represent approximately 24.33% of the existing issued share capital of the Company and approximately 4.69% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Second Subscription Shares and the Capitalisation Shares.

Suspension of trading

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. On 19th April, 2004, Hantec, the retained sponsor of the Company, has submitted 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.

Further details of the Loan Capitalisation and the Second Subscription will be included in the circular relating to, among other things, the Subscription Agreement, the Disposals and the Whitewash Waiver which will be despatched to the Shareholders as soon as possible.

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

Reference is made to the joint announcement of the Company and Tenway Limited dated 1st April, 2004 (the “Announcement”) in relation to, among other things, the Subscription, the Disposals and the Whitewash Waiver. Terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise stated.

Background

Pursuant to the Subscription Agreement, 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 net proceeds from the Subscription are estimated to be approximately HK\$19 million and the Directors intend to apply approximately HK\$15.5 million to repay indebtedness and the remaining balance as general working capital of the Remaining Group.

As set out in the Announcement, the Company would, after entering into the Subscription Agreement, approach its creditors to negotiate a debt restructuring in order to further improve the financial position of the Remaining Group. The Company has reached agreements with creditors to restructure its indebtedness, which include deferred payment term, waiver of part of the indebtedness and loan capitalisation.

The Board would like to announce details of the Loan Capitalisation Agreement and the Second Subscription Agreement which involve issue of new Shares pursuant to the Company’s general obligation to keep the market informed of all price sensitive information under the GEM Listing Rules.

LOAN CAPITALISATION

The Loan Capitalisation Agreement

Borrower: The Company

Lender: Success Harmony. Success Harmony and its beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company or parties acting in concert with the Subscriber or any connected persons of the Company

Guarantor: Mr. Yu, an executive Director and Chairman of the Company

In February 2004, Success Harmony advanced to the Company a HK\$4 million three-month short term loan. The Loan is guaranteed by Mr. Yu who has not received any consideration nor been provided with any counter-indemnity by the Company in consideration for his agreement to act as guarantor for the Loan. On this basis, the Loan qualifies as an exempted connected transaction of the Company under the GEM Listing Rules.

On 12th May, 2004, Success Harmony, the Company and Mr. Yu entered into the Loan Capitalisation Agreement whereby the Company agreed to allot and issue the Capitalisation Shares to Success Harmony, credited as fully paid up by way of capitalisation of part of the principal amount of the Loan and the interests accrued and to be accrued on the entire principal amount of the Loan up to and including the date of completion of the Loan Capitalisation Agreement and Success Harmony agreed to subscribe the Capitalisation Shares subject to the terms and conditions of the Loan Capitalisation Agreement. For reference

purpose, the amount of interest accrued on the principal amount of the Loan up to and including 30th April, 2004 was approximately HK\$89,333. On this basis, a total of approximately 268,933,300 Capitalisation Shares will be allotted and issued under the Loan Capitalisation. The remaining balance of the Loan amounting to HK\$1.4 million will be repaid by the Company in cash at the completion of the Loan Capitalisation Agreement. The cash repayment of HK\$1.4 million will be financed by the proceeds of HK\$1.4 million to be raised from the Second Subscription. Please refer to the paragraph headed “The Second Subscription” below for details of the Second Subscription.

The Capitalisation Shares

The Capitalisation Shares represent approximately 46.74% of the existing issued share capital of the Company, and approximately 9.01% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Second Subscription Shares and the Capitalisation Shares. Please refer to the paragraph headed “Change in shareholding structure of the Company” below for the shareholding structure of the Company upon completion of the Loan Capitalisation, the Subscription and the Second Subscription.

Conditions of the Loan Capitalisation Agreement

Completion shall be conditional upon satisfaction of the following conditions precedent:

- (i) all necessary approvals by the Shareholders for the Loan Capitalisation having been obtained, including approval for the increase in authorised share capital of the Company and the authority to allot the Capitalisation Shares;
- (ii) the Stock Exchange granting approval for listing of and permission to deal in the Capitalisation Shares to be issued pursuant to the Loan Capitalisation; and
- (iii) the lifting of the suspension in, and the resumption of, trading in the Shares on GEM.

Success Harmony may at its discretion waive some or all of the above conditions precedent.

THE SECOND SUBSCRIPTION

The Second Subscription Agreement

Issuer: The Company

Subscriber: Goodfit Properties. Goodfit Properties and its beneficial owner are not connected persons (as defined under the GEM Listing Rules) of the Company or parties acting in concert with the Subscriber or any connected persons of the Company

On 12th May, 2004, the Company and Goodfit Properties entered into the Second Subscription Agreement pursuant to which the Company agreed to allot and issue and Goodfit Properties agreed to subscribe in cash for a total of 140,000,000 Second Subscription Shares at a subscription price of HK\$0.01 per Second Subscription Share. The Company will apply the entire proceeds of HK\$1.4 million to repay the indebtedness owed by the Remaining Group to Success Harmony.

The Second Subscription Shares

The 140,000,000 Second Subscription Shares represent approximately 24.33% of the existing issued share capital of the Company and approximately 4.69% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Second Subscription Shares and the Capitalisation Shares. Please refer to the section headed “Change in the shareholding structure of the Company” for the shareholding structure of the Company upon completion of the Loan Capitalisation, the Subscription and the Second Subscription.

Conditions of the Second Subscription Agreement

Completion shall be conditional upon satisfaction of the following conditions precedent:

- (i) all necessary approvals by the Shareholders for the Second Subscription having been obtained, including approval for the increase in authorised share capital of the Company and the authority to allot the Second Subscription Shares;
- (ii) the Stock Exchange granting approval for listing of and permission to deal in the Second Subscription Shares to be issued pursuant to the Second Subscription; and
- (iii) the lifting of the suspension in, and the resumption of, trading in the Shares on GEM.

Goodfit Properties may at its discretion waive some or all of the above conditions precedent.

THE SUBSCRIPTION PRICE

The subscription price of HK\$0.01 per Capitalisation Share and Second Subscription Share was determined after arm’s length negotiations with Success Harmony and Goodfit Properties respectively. The subscription prices of HK\$0.01 per Capitalisation Share and Second Subscription Share are the same as and are fixed with reference to the Subscription Price for the Subscription Shares as announced in the Announcement.

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

The Capitalisation Shares and the Second Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the then issued Shares and the Subscription 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 Capitalisation Shares and the Second Subscription Shares.

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 Loan Capitalisation, the Subscription and the Second 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, Loan Capitalisation and Second Subscription	
	Shares (million)	%	Shares (million)	%
Subscriber	–	–	2,000.0	67.02
Success Harmony	–	–	268.9	9.01
Goodfit Properties	–	–	140.0	4.69
Mr. Chang Hsiao Hui, Michael (“Mr. Chang”) (Note 1)	103.2	17.93	103.2	3.46
Mr. Tsai Tun Chi (“Mr. T.C. Tsai”) (Note 1)	1.2	0.20	1.2	0.04
KA Land (Note 2)	143.8	24.99	143.8	4.82
Mr. Tsai Jenp Luh (“Mr. J.L. Tsai”) (Note 3)	99.5	17.30	99.5	3.33
Other Public Shareholders	227.7	39.58	227.7	7.63
Total	<u>575.4</u>	<u>100.00</u>	<u>2,984.3</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 Loan Capitalisation, the Subscription and the Second Subscription, the interest of KA Land will be diluted to below 10%. Therefore, KA Land will cease to be a connected person of the Company (as defined under the GEM Listing Rules) and its shareholding would be counted as part of the public float after completion of the Loan Capitalisation, the Subscription and the Second Subscription.
 - (3) Mr. J.L Tsai is a director of Infoserve Singapore and Infoserve Japan, therefore he is a connected person of the Company (as defined under the GEM Listing Rules) and will not be counted as part of the public float after completion of the Loan Capitalisation, the Subscription and the Second Subscription.

Immediately upon completion of Loan Capitalisation, the Subscription and the Second Subscription, the Subscriber will hold approximately 67.02% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, the Second Subscription Shares and the Capitalisation Shares and the public float of the Company will be approximately 26.15% which complies with the 25% minimum public float requirement of the GEM Listing Rules.

FINANCIAL IMPACT AND REASONS FOR THE LOAN CAPITALISATION AND THE SECOND SUBSCRIPTION

The Subscription would provide funding to alleviate the cashflow and liquidity problems of the Group. Further to the Subscription as announced in the Announcement, the Company approached its creditors to negotiate a debt restructuring with a view to further improving the financial position of the Remaining Group. The Loan Capitalisation will enable the Remaining Group to conserve cash by settling part of the Loan by the issue of the Capitalisation Shares. The Second Subscription will bring funding to pay off the remaining balance of the Loan. Both the Loan Capitalisation and the Second Subscription serve to enhance the Company's equity base and the Loan Capitalisation would also enable the Remaining Group to conserve cash. On this basis, the Directors are of the view that the Loan Capitalisation and the Second Subscription are in the interest of the Shareholders and the Company as a whole.

GENERAL

Shareholders should be aware of and take note that the Loan Capitalisation Agreement and the Second Subscription Agreement are conditional upon satisfaction of certain conditions, in particular the conditions relating to the obtaining of listing approval for the Capitalisation Shares and the Second 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 Capitalisation Shares and the Second Subscription Shares may or may not be obtained 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 Loan Capitalisation and the Second Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Shareholders' approval for the allotment and issue of Loan Capitalisation Shares and the Second Subscription Shares will be sought at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in the Loan Capitalisation Shares and the Second Subscription Shares.

Further details of the Loan Capitalisation Agreement and the Second Subscription Agreement will be included in the circular relating to, among other things, the Subscription Agreement, the Disposals and the Whitewash Waiver which will be despatched to the Shareholders as soon as possible.

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. On 19th April, 2004, Hantec, the retained sponsor of the Company, has submitted 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.

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.

Definitions

“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
“Capitalisation Shares”	the new Shares to be allotted and issued to Success Harmony pursuant to the Loan Capitalisation Agreement which, on the basis of interest accrued up to 30th April, 2004, will amount to approximately 268,933,300 new Shares
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Goodfit Properties”	Goodfit Properties Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chow Wang
“Loan”	the aggregate principal amount of HK\$4 million owed by the Remaining Group to Success Harmony, part of which (being HK\$2.6 million) together with the interest accrued on the aforesaid principal amount up to and including the date of completion of the Loan Capitalisation will be capitalised pursuant to the Loan Capitalisation Agreement
“Loan Capitalisation”	the subscription of the Capitalisation Shares by Success Harmony by way of capitalisation of part of the Loan and the interest accrued and to be accrued on the entire principal amount of the Loan up to and including the date of completion of the Loan Capitalisation Agreement pursuant to the terms and conditions of the Loan Capitalisation Agreement
“Loan Capitalisation Agreement”	the agreement dated 12th May, 2004 entered into between the Company, Success Harmony and Mr. Yu in relation to the Loan Capitalisation
“Mr. Yu”	Yu Shu Kuen, an executive Director and Chairman of the Company

“Second Subscription”	the subscription of the Second Subscription Shares by Goodfit Properties subject to the terms and conditions of the Second Subscription Agreement
“Second Subscription Agreement”	the subscription agreement dated 12th May, 2004 entered into between the Company and Goodfit Properties in relation to the Second Subscription
“Second Subscription Shares”	140,000,000 new Shares to be allotted and issued by the Company to Goodfit Properties pursuant to the Second Subscription Agreement
“Success Harmony”	Success Harmony Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Alexander Tai Kwok Leung

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

By order of the board
Tenway Limited
Gui Song
Director

Hong Kong, 13th May, 2004

The Directors (save for Mr. Chang Hsiao Hui, Michael 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.

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