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INFOSERVE TECHNOLOGY CORP.

英普達資訊科技公司*

(Incorporated in the Cayman Islands with limited liability)

**UPDATE ON OPERATING AND FINANCIAL OPERATIONS AND LITIGATIONS;
APPOINTMENT OF THE NEW EXECUTIVE DIRECTOR AND CHAIRMAN;
RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND
AUDIT COMMITTEE MEMBERS;
RESIGNATION OF SPONSOR;
FURTHER DELAY IN DESPATCH OF CIRCULAR;
POSTPONEMENT OF RELEASING THE UNAUDITED THIRD QUARTERLY
REPORT FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 2003; AND
CHANGE OF PRINCIPAL PLACE OF BUSINESS**

The Company has been experiencing worsening cashflow problems as a result of the events and circumstances as listed below. The Company has requested for suspension of trading of shares of the Company on the Stock Exchange as from 2:30 p.m. on 4th November, 2003. The Board would like to update the shareholders of the Company of the Group's latest financial and operating position as follows. Trading in the Shares will remain suspended until further notice.

Update on litigations, current financial and operation position of the Group is set out below.

Mr. Yu Shu Kuen has been appointed as executive director and chairman of the Company with effect from 26th November, 2003.

Mr. Leung Man Kit and Mr. Chou Wen Pin resigned as independent non-executive directors of the Company and audit committee members of the Company with effect from 7th and 10th November, 2003 respectively.

Somerley Limited, the retained sponsor of the Company, has served a written notice of termination to the Company in accordance with the sponsor agreement dated 17th May, 2002 entered into with the Company. Somerley will cease to act as the Company's sponsor upon expiration of the notice period on 5th December, 2003.

* For identification purpose only

The Company has applied for wavier from Rule 19.38 of the GEM Listing Rules, which requires the circular for the major transaction to be despatched to shareholders within 21 days from announcement due to resignation of the whole accounting team in Taiwan. The Company will despatch the circular on Major Transaction to shareholders by 11th December, 2003.

The Company is not in compliance with of Rule 18.66 of the GEM Listing Rules, which requires the Quarterly Report to be published not later than 45 days after the end of period of 30th September, i.e. 14th November, 2003. The Company will postpone the release of unaudited third quarterly report of the Group for the three months ended 30th September, 2003 to 11th December, 2003 due to the resignation of whole accounting team in Taiwan.

The principal place of business of the Company has been changed to 11/F, Ying Kong Mansion, 2-6 Yee Woo Street, Causeway Bay, Hong Kong with effect from 1st November, 2003.

Further announcement will be made by the Company as and when required under the GEM Listing Rules.

Infoserve Technology Corp. (the “Company”, together with its subsidiaries “Group”) has been experiencing worsening cashflow problems as a result of the following events and circumstances. Consequently, the Company has requested for suspension of trading of shares of the Company on the Stock Exchange as from 2:30 p.m. on 4th November, 2003 pending release of this announcement. The Board would like to update the shareholders of the Company of the Group’s latest financial and operating position as follows.

UPDATE ON THE OPERATING AND FINANCIAL POSITION OF THE GROUP

(a) Taiwan Subsidiary

(i) Suspension of business operation

Due to the cashflow problems and unpaid payroll for about four months, all Taiwan staff take vacation leave and do not report duty. The operation has been gradually suspended since 14th November, 2003 due to the staff leave and disconnection of services by network services providers in Taiwan. All the three directors and supervisor of Taiwan Subsidiary have rendered resignation on 29th and 30th October, 2003 respectively. The Group is seeking legal advice on possible remedial actions.

(ii) Issue of injunction order by the Taiwan Court

The Group’s worsened cashflow situation is triggered by the issue of an injunction order by the Taiwan Court which makes it difficult for the Group to collect trade receivables from its major customers in Taiwan, in which the Group’s operation is principally based.

Infoserve Technology Corporation 英普達資訊科技股份有限公司 (“Taiwan Subsidiary”) is in dispute with two former sales executives (the “Former Employees”) as to the outstanding amount of salary due to them. The Former Employees claim against Taiwan Subsidiary in aggregate approximately NT\$2 million, approximately HK\$0.45 million (the “Alleged Claim”). The Former Employees obtained an injunction order (the “Injunction Order”) from the Taiwan Court whereby several major customers of the Taiwan Subsidiaries are ordered not to pay to Taiwan Subsidiary in aggregate of an amount equals to the Alleged Claim which would otherwise be payable to Taiwan Subsidiary. As Taiwan Subsidiary is unable to collect trade receivables from its major customers, several post-dated cheques issued by Taiwan Subsidiary were dishonoured. Consequently, banks in Taiwan refused to discount post-dated cheques received by Taiwan Subsidiary from its other customers (who are not subject to the Injunction Order). This inhibits the liquidity and thereby the operation of Taiwan Subsidiary.

The Group is seeking legal advice on the release of the Injunction Order which can be done by depositing cash in an amount which equals to the Alleged Claim with the Taiwan Court. It is estimated that the total trade receivables being held up by those customers who are subject to the Injunction Order amount to approximately NT\$15 million, approximately HK\$3.40 million, as of 4th November, 2003.

The Group is seeking legal opinion on negotiating with network providers on instalment payments of outstanding payables over the coming 12 months so as to ensure continuity of services to its customers in Taiwan, Hong Kong and PRC. No written agreement has been concluded as at the date of announcement.

(iii) Resignation of the whole accounting team in Taiwan

The financial controller (the “Taiwan Financial Controller”) and the whole accounting team under her supervision has left Taiwan Subsidiary with effect from 11th November, 2003. The Group has difficulty in accessing to certain post-dated cheques. According to the Taiwan Financial Controller’s email on 4th November, such post-dated cheques have an aggregate value of approximately NT\$15 million, approximately HK\$3.40 million and were kept in the safe in the office of Taiwan Subsidiary. The Group is discussing with its legal adviser on the proper procedures that it needs to take in order to gain access to those post-dated cheques and will discuss with the Taiwan Financial Controller on the proper handover of the books and records of Taiwan Subsidiary.

(b) Hong Kong operation

The operation has been gradually suspended since on or about 14th November, 2003 due to non-payment of costs to network services providers in Hong Kong and China.

(c) The Group

Reference is made to the announcement of the Company dated 30th September, 2003 whereby the Board informs, among others, that the Group has been operating under tight cashflow position, but would be able to continue its normal operation in reliance of, among others, the agreement of Mr. Michael Chang Hisao Hui (“Mr. Chang”), the current Managing Director of the Company, to provide financial support to the Group for the next 12 months (the “Financial Support Letter”).

The Financial Support Letter was given by Mr. Chang in connection with the review of the Group’s consolidated accounts for the six months ended 30th June, 2003.

The Company was notified by Mr. Chang on 6th November, 2003 that he is no longer able to continue to provide financial support to the Group in view of the Group’s financial position.

The Board is currently assessing the impact of Mr. Chang’s withdrawal of financial support on the operating and financial position of the Group but has yet to come up with an action plan to tackle the situation.

In addition, the Company recently has difficulty in reaching Mr. Chang, who is one of the authorized representatives and compliance officers of the Company. As such, the Board is considering the change of authorized representative and compliance officer.

APPOINTMENT OF NEW DIRECTOR AND CHAIRMAN

Mr. Yu Shu Kuen (“Mr. Yu”) has been appointed as executive director and chairman of the Company with effect from 26th November, 2003. Mr. Yu, aged 35, had worked in the investment banking field in Hong Kong about 2 years and went to start his own financial services business in 1996.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE MEMBERS

With effect from 7th November, 2003, Mr. Leung Man Kit (“Mr. Leung”) resigned as the independent non-executive director and the audit committee member of the Company. The reason for his resignation is due to the fact that Mr. Leung cannot assess the financial position of Tawian Subsidiary and therefore is not in a position to assess the financial and operation matters of the Taiwan Subsidiary which is the wholly-owned subsidiary and the major operating arm of the Company. Save as disclosed, Mr. Leung is not aware of any circumstance in connection with his resignation which should be brought to the notice of the Stock Exchange and shareholders of the Company.

With effect from 10th November, 2003, Mr. Chou Wen Pin (“Mr. Chou”) resigned as the independent non-executive director and the audit committee member of the Company. Mr. Chou resigned because he needs time to pursue his business ventures and he has difficulty in discharging his duty as the Company’s director due to his frequent business travel overseas. Mr. Chow has confirmed that there is no circumstance in connection with his resignation which should be brought to the notice of the Stock Exchange and shareholders of the Company.

The Board would like to thank both of them for their invaluable contribution to the Company in the past.

The Board currently comprises Mr. Yu as executive director and chairman Mr. Chang as the managing director, Mr. Tsai Tun Chi as executive director and Mr. Phil Tsai as the non-executive director.

The Company currently has no independent non-executive director and no audit committee member and hence is not in compliance with Rule 5.05 and 5.23 of the GEM Listing Rules. The Company is actively looking for replacement who have experience in serving as director of listed companies in Hong Kong. The Company has applied for wavier of one month to comply with Rule 5.05 and 5.23 of the GEM Listing Rule. Further announcement will be made in this regard.

RESIGNATION OF SPONSOR

Somerley Limited (“Somerley”), the retained sponsor of the Company, has served a written notice of termination to the Company in accordance with the sponsor agreement dated 17th May, 2002 entered into with the Company. Somerley will cease to act as the Company’s sponsor upon expiration of the notice period on 5th December, 2003.

Since the resignation of a number of key personnel from the Group, details of which are set out in the Company’s announcement dated 30th September 2003, Somerley has experienced difficulties in receiving timely responses from the Company to its or Stock Exchange’s enquiries. In the circumstances, Somerley tendered resignation as it is unable to properly discharge its duties as the Company’s retained sponsor to the standard required under the GEM Listing Rules. Save for those disclosed herein or in the Company’s public press announcements or circulars to its shareholders, there is no circumstance Somerley is aware of that should be brought to the notice of the Stock Exchange and shareholders of the Company.

The Company is looking for a replacement sponsor and further announcement will be made in this regard.

LITIGATIONS

China Unicom International Ltd. (“China Unicom”)

Reference is made to the announcement of the Company dated 30th September, 2003 in relation to, among others, information on the litigation of the Group whereby the Board informs that the Company, together with its subsidiaries, Infoserve Technology Hong Kong Limited. (“Infoserve HK”), and Mr. Tsai Jenp Luh alias Tsai Phil also known as Tsai Jenp Lun Phil and Tsai J L Phil, was on 20th August, 2003 served a high court writ dated 19th August, 2003 by China Unicom regarding money owing in the sum of HK\$3,555,593.12 (the “Claimed Amount”) together with interest and legal costs (the “Litigation”).

The Company has on 19th September, 2003 filed a defence and counter claim on the ground of technical defects. Unicom has filed reply to the Company’s counter claim on 12th November, 2003 and fixed a hearing on 1st December, 2003. Further announcement will be made by the Company as and when required under the GEM Listing Rules.

Wing Siu Company Ltd. (“Wing Siu”)

Infoserve Technology Hong Kong Ltd. (“Infoserve HK”), a wholly-owned subsidiary of the Company, was on 20th October, 2003 served a district court judgement dated 17th October, 2003 by Wing Siu, the landlord of the Group’s previous principal place of business in Hong Kong, an independent third party to the Group, regarding money owing in the sum of HK\$332,938.40 (the “Debts”) together with interest and legal costs. The Debts was alleged to be the rents, rates and management fee for the previous principal place of business in Hong Kong, due from Infoserve HK to Wing Siu since June 2003 up to 25th September, 2003.

Infoserve HK has offered settlement plan to Wing Siu but has been rejected. On 10th November, 2003, Wing Siu filed petition for winding up against Infoserve HK. Infoserve HK is seeking legal opinion on the petition. The turnover in Hong Kong accounted for just approximately 3% of the Group’s total revenue for the year ended 31st December, 2002 and Infoserve HK had unaudited net liabilities of approximately HK\$49.58 million as at 30th September, 2003. In the event that Infoserve HK is being wound up, the immaterial turnover and scale of operation would have no material impact on the financial and operating position of the Group.

OTHER CLAIMS

In addition to the approximately NT\$2 million, approximately HK\$0.45 million, Alleged Claim from the Former Employees, Taiwan Subsidiary has received claims for outstanding payments from 3 other former staff and 2 creditors in respect of about NT\$5 million, approximately HK\$1.13 million. The Group is seeking legal opinion in this regard.

FURTHER DELAY IN DESPATCH OF THE CIRCULAR

Reference is made to the announcements of the Company dated 30th September, 2003 and 21st October, 2003 in relation to the major transaction regarding the disposal of Taiwan ISR Business. A circular should be sent to the shareholders on 21st October, 2003 (“Circular”).

Given Mr. Chang’s withdrawal of financial support to the Group and the fact that the whole accounting team of Taiwan Subsidiary has left, extra time is needed for finalising the financial information for inclusion in the Circular. The Company has applied for waiver from Rule 19.38 of the GEM Listing Rules, which requires the circular for the major transaction to be despatched to the shareholders within 21 days from announcement due to the resignation of whole accounting team in Taiwan. The Company will despatch the circular on Major Transaction to shareholders by 11th December, 2003.

POSTPONEMENT OF RELEASING THIRD QUARTERLY REPORT

The Board announces that the release of the unaudited third quarterly report of the Group for the three months ended 30th September, 2003 (“Quarterly Report”) would be postponed from 14th November, 2003 to 11th December, 2003. The reason for the delay is principally due to the leave of the whole accounting team in Taiwan and the consequential difficulty in ascertaining the financial position of the Taiwan Subsidiary. As a result, the Company requires additional time to recruit new staff in finalising the accounts of the Taiwan Subsidiary leading to the delay in the publication of the Quarterly Report.

The Company is not in compliance with Rule 18.66 of the GEM Listing Rules, which requires the Quarterly Report to be published not later than 45 days after the end of period of 30th September, i.e. 14th November, 2003.

The current Directors and their associates confirm that they have not dealt in any Shares since 15th October, 2003 and have undertaken to the Stock Exchange that they will not deal in any Shares until the publication of the Quarterly Report.

CHANGE OF PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company has been changed to 11/F, Ying Kong Mansion, 2-6 Yee Woo Street, Causeway Bay, Hong Kong with effect from 1st November, 2003.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on 4th November, 2003. Trading in the Shares will remain suspended pending further update on the financial and operating position of the Group.

By order of the Board
Infoserve Technology Corp.
Tsai Tun Chi
Executive Director

Hong Kong, 27th November, 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.