



INFOSERVE TECHNOLOGY CORP.

英普達資訊科技公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8077)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (save for Mr. Chang Hsiao Hui, Michael ("Mr. Chang") who cannot be contacted at his known address) (the "Directors") of Infoserve Technology Corp. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the

** For identification purpose only*

Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and believes: (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.

HIGHLIGHTS

- Turnover for the three months ended 30 September 2004 amounted to US\$574,000, represented a decrease of 86% over the corresponding period of US\$4,015,000 in 2003.
- Turnover for the nine months ended 30 September 2004 amounted to US\$2,045,000, represented a decrease of 87% over the corresponding period of US\$15,751,000 in 2003.
- Net loss for the three months ended 30 September 2004 amounted to US\$199,000 compared to a profit of US\$343,000.
- Net loss for the nine months ended 30 September 2004 narrowed by 74.7% to US\$741,000 from US\$2,924,000 of the corresponding period in 2003.
- Basic loss per share for the three months ended 30 September 2004 was 0.03 US cents, compared to a profit 0.06 US cents in 2003.
- Basic loss per share for the nine months ended 30 September 2004 was 0.13 US cents, represents an approximately 74.5% decrease over the corresponding period of 0.51 US cents in 2003.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2004.

UNAUDITED CONSOLIDATED RESULTS

The board (the “Board”) of directors (the “Directors”) of Infoserve Technology Corp. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2004 together with the unaudited comparative figures for the corresponding period in 2003.

	NOTES	Three months ended		Nine months ended	
		30.9.2004 US\$'000 (Unaudited)	30.9.2003 US\$'000 (Unaudited)	30.9.2004 US\$'000 (Unaudited)	30.9.2003 US\$'000 (Unaudited)
Turnover	3	574	4,015	(2,045)	15,751
Network operation and telecommunication costs		<u>(385)</u>	<u>(2,166)</u>	<u>(1,171)</u>	<u>(9,262)</u>
Gross profit		189	1,849	874	6,489
Other revenue		—	275	11	462
Gain on disposal of ISR business		—	769	—	769
Loss on closure of Japan subsidiary		(66)	—	(66)	—
Staff costs		(37)	(784)	(185)	(3,680)
Operating lease rentals in respect of machinery and equipment		—	(367)	—	(1,521)
Occupancy expenses		(2)	(229)	(9)	(822)
Depreciation and amortisation of property, plant and equipment		(3)	(501)	(16)	(1,558)
Provision for early termination of tenancies		—	—	—	(68)
Other operating expenses		<u>(252)</u>	<u>(453)</u>	<u>(1,188)</u>	<u>(2,369)</u>
Profit/(loss) from operations		(171)	559	(579)	(2,298)
Finance costs		<u>(28)</u>	<u>(216)</u>	<u>(162)</u>	<u>(626)</u>
Profit/(loss) before taxation		(199)	343	(741)	(2,924)
Taxation	4	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net profit/(loss) for the period		<u>(199)</u>	<u>343</u>	<u>(741)</u>	<u>(2,924)</u>
Profit/(loss) per share — Basic	5	<u>(0.03) cents</u>	<u>0.06 cents</u>	<u>(0.13) cents</u>	<u>(0.51) cents</u>

NOTES:

1. BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted limited liability company with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”).

The quarterly financial report have been prepared in accordance with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules and the following bases.

(A) In preparing the financial information, the Directors have given careful consideration to the future liquidity of the Group. Against this background, the Group has taken steps to implement a corporate restructuring as follows:

(1) Disposal of Infoserve Technology Corporation (“Infoserve Taiwan”), Infoserve Technology Beijing Limited (“Infoserve PRC”) and Infoserve Telecom Corp. (“Infoserve US”)

On 18 March 2004, the Company and an independent purchaser entered into three sets of separate agreements (the “Disposal Agreements”) pursuant to which the Company agreed to sell and the independent purchaser agreed to acquire from the Company its entire equity interest in each of Infoserve Taiwan, Infoserve PRC and Infoserve US (“Disposed Subsidiaries”) at a consideration of HK\$1.00, HK\$1.00 and US\$1.00 respectively. Pursuant to the terms of the Disposal Agreements, the inter-company balances between (i) the Disposed Subsidiaries, and (ii) the Remaining Group namely the Company, Infoserve Technology Pte Ltd. (“Infoserve Singapore”) and Infoserve Technology K.K. (“Infoserve Japan”) and Infoserve Technology Hong Kong Ltd. (“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 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.

(2) The First Subscription

On 18 March 2004, the Company and an independent investor (the “First Subscriber”) entered into an agreement pursuant to which the Company agreed to allot and issue and the First subscriber agreed to subscribe in cash for a total of 2,000 million new shares in the Company at a subscription price of HK\$0.01 per share (the “First Subscription”). The total net proceeds from the First Subscription is estimated to be approximately US\$2.4 million and the Directors intend to apply the net proceeds to repay indebtedness and as general working capital of the Remaining Group.

(3) Resumption Proposal and Restructuring Exercise

Reference is made to the Company’s announcement dated 17 September 2004. At the request of the Company, since the suspension of trading in the shares of the Company on the GEM on 4 November 2004, the Company has been working a resumption proposal (the “Resumption Proposal”) for the purpose of resuming the trading of its shares on the GEM. The Resumption Proposal was first submitted to the Stock Exchange on 19 April 2004 and was subsequently revised thereafter with the latest revision dated 2 August 2004 submitted to the Stock Exchange. The Company was informed by the Stock Exchange, by way of a letter dated 24 August 2004 that the GEM Listing Division has rejected the Resumption Proposal on the basis that it was not a viable resumption proposal.

Subsequent to the rejection of the Resumption Proposal, the Company is now working for a revised resumption proposal so that it can satisfy the criterion set out in the GEM Listing Rules. The validity of the revised resumption proposal will rely on the implementation of the restructuring exercise which the company is now in discussion with various parties including creditors of the company for debt restructuring.

(4) Subordinate Loan

During April to July 2004, Mr. Yu Shu Kuen, chairman of the Company, provided subordinated interest bearing loan facilities of not exceeding HK\$1,900,000 and repayable in 2 years to finance the daily operation of the Company. The loan is only repayable when and if the Company is still solvent immediately after the payment.

- (B) In November 2003, having lost contact with the management and officers of Infoserve Taiwan, Infoserve Hong Kong which was put under liquidation, Infoserve PRC and Infoserve US, the Directors concluded that the Group had lost effective control over these former subsidiaries. These subsidiaries ceased operations by November 2003. The directors considered that the financial interests of the Group were best served not by expending significant time and resources to regain control of these subsidiaries, but instead by actively seeking means to divest these investments. Since the Directors do not have any available information about the results of these subsidiaries for the period from 1 October 2003 to the date when, in the opinion of the Directors, the Group lost effective control. On this basis, the results of these subsidiaries have been excluded from the unaudited consolidated results of the Group for the nine months ended 30 September 2004.

2. ACCOUNTING POLICIES

The quarterly financial report have been prepared under the historical cost convention and the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

3. TURNOVER

	Three months ended		Nine months ended	
	30.9.2004	30.9.2003	30.9.2004	30.9.2003
	US\$'000	US\$'000	US\$'000	US\$'000
Turnover				
— communication services	24	914	138	5,365
— Internet access and related services	535	1,519	1,810	4,874
— virtual private network (“VPN”) and solution services	15	1,582	97	5,512
	<u>574</u>	<u>4,015</u>	<u>2,045</u>	<u>15,751</u>

4. TAXATION

No provision for taxation has been made in the quarterly financial report as the Group had no assessable profit for the period.

5. PROFIT/(LOSS) PER SHARE

The calculation of the basic profit/(loss) per share is based on the following data:

	Three months ended		Nine months ended	
	30.9.2004	30.9.2003	30.9.2004	30.9.2003
Net profit/(loss) for the period	<u>US\$(199,000)</u>	<u>US\$343,000</u>	<u>US\$(741,000)</u>	<u>US\$(2,924,000)</u>
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per shares	<u>575,382,456</u>	<u>575,382,456</u>	<u>575,382,465</u>	<u>575,382,456</u>

The computation of diluted loss per share does not assume the exercise of outstanding warrants and share options as the effect of the potential shares outstanding during the period were anti-dilutive.

6. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Deficit	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2003	738	53,367	(496)	(55,191)	(1,582)
Exchange differences arising on translation of financial statements of overseas operations	—	—	250	—	250
Net loss for the period	—	—	—	(2,924)	(2,924)
At 30 September 2003	<u>738</u>	<u>53,367</u>	<u>(246)</u>	<u>(58,115)</u>	<u>(4,256)</u>
At 1 January 2004	738	53,367	(71)	(56,650)	(2,616)
Realized on closure of Japan subsidiary	—	—	141	—	141
Exchange differences arising on translation of financial statements of overseas operations	—	—	(35)	—	(35)
Net loss for the period	—	—	—	(741)	(741)
At 30 September 2004	<u>738</u>	<u>53,367</u>	<u>35</u>	<u>(57,391)</u>	<u>(3,251)</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2004 (2003: Nil).

FINANCIAL REVIEW

Comparing overall financial performance for the nine months ended 30 September 2004 to the same period last year, turnover of the Group amounted to US\$2,045,000, decreased by 87% from US\$15,751,000. Gross profit decreased by 86.5% from US\$6,489,000 to US\$874,000. Net loss narrowed by 74.7% from US\$2,924,000 to

US\$741,000. The significant improvement in profitability was mainly attributable to the closure of Taiwan operations and the de-consolidation of the Disposed Subsidiaries and Infoserve Hong Kong as explained in the Section “Basis of Presentation”.

1. Turnover

For the three months ended 30 September 2004, the Group’s unaudited consolidated turnover amounted to US\$574,000, which represented a decrease of 26.8% over the previous quarter of US\$784,000 and a decrease of 85.7% over the corresponding period of US\$4,015,000 in 2003.

Revenue from communication services experienced a decrease of 57.9% to US\$24,000 from the previous quarter of US\$57,000 and a decrease of 97.4% comparing to US\$914,000 during the corresponding period in 2003. Revenue from Internet access and related services dropped by 22.5% to US\$535,000 from US\$690,000 of the previous quarter, but dropped by 64.8% comparing to US\$1,519,000 during the same period in 2003. For VPN and solution services, the revenue decreased by 59.5% to US\$15,000 from US\$37,000 compared to the previous quarter and decreased by 99.1% from US\$1,582,000 during the corresponding period in 2003. The significant decrease in turnover was due to the closure of Taiwan operations and the de-consolidation of the Disposed Subsidiaries and Infoserve Hong Kong as explained under the heading “Basis of Presentation”.

2. Network operation and telecommunication costs

For the three months ended 30 September 2004, total network operation and telecommunication costs amounted to US\$385,000, which represented an increase of 2.9% over the previous quarter of US\$374,000 and a decrease of 82.2% over the corresponding period of US\$2,166,000 in 2003. Cost decrease was in line with decrease in turnover when compared with 2003. The cost increase compared with previous quarter was mainly because the suppliers contracts committed with a steady growth cannot be terminated although the turnover dropped unexpectedly.

3. Staff costs

For the three months and nine months ended 30 September 2004, total staff costs amounted to US\$37,000 and US\$185,000 respectively. The Group has made a great effort on cost saving and total staff number of the Group has been maintained at below 10. As such, total staff costs for the three months ended and nine months ended 30 September 2004 reduced by US\$747,000 or 95.3% and US\$3,495,000 or 95% respectively compared to the corresponding periods in 2003.

BUSINESS REVIEW AND PROSPECTS

Due to the Group’s deteriorated operational and financial condition, the Group has implemented a corporate restructuring plan to ease the situation as mentioned in the interim report on 10 August 2004.

The Company also submitted the Resumption Proposal for the purpose of resumption of trading in the shares of the Company on the GEM. With reference to the Company's announcement dated 17 September 2004, the Company was informed by the Stock Exchange on 24 August 2004 that the GEM Listing Division has rejected the Resumption Proposal on the basis that it was not a viable resumption proposal. Since it is vital to the corporate restructuring plan for obtaining the approval of the resumption of trading of the Company's shares on the GEM, the Company is now contemplating for revision on the restructuring plan so that it can satisfy the criterion of resumption of trading set out in the GEM Listing Rules.

In result from the unexpected prolonged period of the corporate restructuring plan, the worsening Group's financial condition has been further dampened. The Group has no choice but determined to close down the subsidiary in Japan under the situation without new capital being injected to the Group. The Group is now focused on developing the healthier Singapore subsidiary, which already has a strong customer base and management team.

The Board is now undergoing the revised restructuring plan and it is optimistic that the fiscal condition of the Group will be significantly strengthened once the revised restructuring plan being completed.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 September 2004, the interests of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transactions by the Directors were as follows:

(A) Long positions in the shares of the Company

Name of director	Capacity	Number of shares	Percentage to issued shares as at 30 September 2004
Mr. Chang Hsiao Hui	Beneficial owner	99,628,984	17.32%
("Mr. Chang")	Held by spouse (<i>Note 1</i>)	<u>3,511,768</u>	<u>0.61%</u>
		<u>103,140,752</u>	<u>17.93%</u>

Note:

1. These shares are held by Ms. Lin Huei Lin, the spouse of Mr. Chang, an executive director of the Company.

(B) Long position in the shares of associated corporations

Infoserve Taiwan

Name of director	Number of Shares		Total number of shares held
	Personal interest	Family interest	
Mr. Chang	10	20 <i>(Note 1)</i>	30

Notes:

1. These shares are held by the parents of Mr. Chang.
2. Infoserve Taiwan has 92,000,000 shares in issue as at 30 September 2004.

(C) Long positions in the underlying shares — share options

As at 30 September 2004, the Company had two share option schemes, namely the Pre-IPO Share Option Scheme and the Share Option Scheme (both terms as defined in the prospectus of the Company dated 28 December 2001 (the “Prospectus”)).

The summary on the particulars of each of the Pre-IPO Share Option Scheme and the Share Option Scheme is set out in Appendix V of the Prospectus under the section headed “SHARE OPTIONS”.

(1) Pre-IPO Share Option Scheme

Details of the options granted by the Company to the Directors under the Pre-IPO Share Option Scheme are as follows:

Name of Director	Date of grant	Exercise period of share options	Exercise price per share		Capacity	Balance as at 1 January 2004	Lapsed during the period	Balance as at 30 September 2004	Percentage to issued
			HK\$						shares as at 30 September 2004
Mr. Chang	27 December 2001	8 July 2002 to 20 December 2011	0.70		Beneficial owner	1,136,000	—	1,136,000	0.20%
	27 December 2001	8 July 2002 to 20 December 2011	0.70		Held by spouse <i>(Note)</i>	473,000	473,000	—	—
						<u>1,609,000</u>	<u>473,000</u>	<u>1,136,000</u>	<u>0.20%</u>

Note: Ms. Lin Huei Lin, the spouse of Mr. Chang, was granted 473,000 options under Pre-IPO Share Option Scheme.

(2) Share Option Scheme

Details of the options granted by the Company to the Directors under the Share Option Scheme are as follows:

Name of Director	Date of grant	Exercise period of share options	Exercise price per share		Capacity	Balance as at 1 January 2004	Lapsed during the period	Balance as at 30 September 2004	Percentage
			HK\$						shares as at 30 September 2004
Mr. Chang	21 February 2002	1 January 2003 to 31 December 2005	1.212		Beneficial owner	1,500,000	—	1,500,000	0.26%
	21 February 2002	1 January 2003 to 31 December 2005	1.212		Held by spouse (Note)	80,000	80,000	—	—
						<u>1,580,000</u>	<u>80,000</u>	<u>1,500,000</u>	<u>0.26%</u>

Note: Ms. Lin Huei Lin, the spouse of Mr. Chang, was granted 80,000 options under Share Option Scheme.

Save as disclosed above, as at 30 September 2004, none of the Directors (other than Mr. Chang who has not been contactable and in respect of whom such information had not been verified) had any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provision of the SFO) and/or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules relating to securities transactions by the Directors.

SUBSTANTIAL SHAREHOLDER

As at 30 September 2004, so far as is known to the Directors (other than Mr. Chang who has not been contactable) or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital are as follows:

(A) Long positions in the shares

Name of Shareholders (Note)	Capacity/Nature of interests	Number of Shares		Approximate % to the existing issued share capital of the Company
		Long position	Short position	
Mr. Tsai Jenp Luh, Phil (Note 1)	Personal/Family	99,523,688	—	17.30%
Ms. Tu Wen Yueh (Note 1)	Personal/Family	99,523,688	—	17.30%
Ms. Lin Huei Lin (Note 2)	Personal/Family	103,140,752	—	17.93%
KA Land Pte Ltd (Note 3)	Beneficial interests	143,802,864	—	24.99%
Singapore Telecommunications Limited (Note 3)	Interests of controlled corporation	143,802,864	—	24.99%
Tenway Limited	Beneficial interests	2,000,000,000	—	77.66%
Mr. Gui Song (“Mr. Gui”) (Note 4)	Interests of controlled corporation	2,000,000,000	—	77.66%
Dr. Li Fang Hong (“Dr. Li”) (Note 4)	Interests of controlled corporation	2,000,000,000	—	77.66%
Hopewell Global Limited (Note 4)	Interests of controlled corporation	2,000,000,000	—	77.66%
Worldtime Limited (Note 4)	Interests of controlled corporation	2,000,000,000	—	77.66%

Notes:

1. Ms. Tu Wen Yueh is the spouse of Mr. Tsai Jenp Luh, Phil. These Shares are held as to 99,305,288 Shares by Mr. Tsai Jenp Luh, Phil and the remaining 218,400 Shares by Ms. Tu Wen Yueh.
2. Ms. Lin Huei Lin is the spouse of Mr. Chang. These Shares are held as to 99,628,984 Shares by Mr. Chang and the remaining 3,511,768 Shares by Ms. Lin Huei Lin.
3. KA Land Pte Ltd., a wholly-owned subsidiary of Singapore Telecommunications Limited, held 143,802,864 Shares.
4. Worldtime Limited is interested in 30.62% of the issued share capital of the Subscriber and Dr. Li is in turn interested in 99% of the issued share capital of Worldtime Limited. Hopewell Global Limited is interested in 65% of the issued share capital of the Subscriber and Mr. Gui and Dr. Li are in turn interested in 75% and 25% respectively of the issued share capital of Hopewell Global Limited. Accordingly, Worldtime Limited, Hopewell Global Limited, Mr. Gui and Dr. Li are deemed to be interested in the Shares held by the Subscriber.

(B) Long positions in the underlying shares — convertible notes

KA Land Pte Ltd., a wholly-owned subsidiary of Singapore Telecommunications Limited also held convertible notes with an aggregate principal amount of HK\$7,800,000 issued by the Company. Upon full conversion of these convertible notes, 39,000,000 shares of the Company, representing 6.78% of the issued shares of the Company at 30 September 2004, will be issued.

(C) Long positions in the underlying shares — share options

Name	Date of grant	Vesting period	Exercise period	Exercise price per share HK\$	Balance as	Percentage to
					at 1 January 2004 and 30 September 2004	issued shares as at 30 September 2004
Mr. Tsai Jenp Luh, Phil	27 December 2001	8 July 2002 to 1 January 2004	8 July 2002 to 20 December 2011	0.70	1,144,000	0.20%
	21 February 2002	1 January 2003 to 1 January 2005	1 January 2003 to 31 December 2005	1.212	1,500,000	0.26%
					2,644,000	0.46%

Save as disclosed above, the Directors (other than Mr. Chang who has not been contactable) and chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who as at 30 September 2004 had interests and/or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SPONSOR'S INTERESTS

Hantec Capital Limited (“Hantec”) has been appointed as (i) the sponsor of the Company for the period from 16 January 2004 to 31 December 2004; and (ii) the financial advisor of the Company in relation to the resumption of trading in the shares of the Company on the Stock Exchange in return for advisory fees. As updated and notified by Hantec, none of Hantec, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 11 November 2004.

Save as disclosed above, Hantec had no other interest in the Company as at 11 November 2004.

COMPETING INTERESTS

As at 30 September 2004, none of the Directors, management shareholders of the Company (as defined in the GEM Listing Rules) and their respective associates are interested in any business that competes with or is likely to compete with the business of the Group.

LITIGATION

The Company, together with the Chairman, Mr. Yu Shu Kuen was served a writ on 21 September 2004 by SHK Finance Ltd (“SHK Finance”) regarding money owing in the sum of HK\$5,335,300 (the “Claimed Amount”) together with the interest and legal costs. The Claimed Amount was the outstanding loan principal and interest as at the date of 17 September 2004 pursuant to the Loan Agreement dated 13 October 2004, the First Supplemental Loan Agreement dated 14 January 2004 and the Second Supplemental Loan Agreement dated 14 April 2004. The Company is liaising with SHK Finance for a possible reschedule of payment.

AUDIT COMMITTEE

The Company established an audit committee on 21 December 2001 with terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. On 17 September 2004, Mr. Leung Hong Tai resigned as both independent non-executive director and audit committee member of the Company. Mr. Yu Chon Sang (“Mr. Yu”) and Mr. Bucks Ramsay Michael Jr (“Mr. Bucks”) have been appointed as independent non-executive directors and audit committee members of the Company with effect from 27 September 2004 and 30 September 2004, respectively. The audit committee comprises of Mr. Ip Man Tin, David (“Mr. Ip”), Mr. Yu and Mr. Bucks. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee has reviewed, with the management, this unaudited financial report for the nine months ended 30 September 2004 and is of the opinion that the financial statements contained in such report comply with the applicable accounting standards and legal requirements, and that adequate disclosures has been made.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the nine months ended 30 September 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the period.

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

As at the date of this announcement, the Board comprises Mr. Yu Shu Kuen, Mr. Phang, Yul Cher Yeow and Mr. Chang Hsiao Hui, Michael as executive Directors, and Mr. Ip Man Tin, David, Mr. Yu Chon Sang and Mr. Bucks Ramsay Michael Jr as independent non-executive Directors.

Hong Kong, 11 November, 2004

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for seven days from the date of its posting and on the website of the Company at www.infoserve-group.com.