

GLOBAL SOURCES LTD /BERMUDA

Form 20-F

May 05, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

/ / Registration Statement Pursuant To Section 12(b) or (g) of the
Securities Exchange Act of 1934

OR

/X/ Annual Report Pursuant To Section 13 or 15 (d) of the Securities
Exchange Act of 1934 For the fiscal year ended December 31, 2002.

OR

/ / Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from ..... to.....
Commission file number 000-30678

GLOBAL SOURCES LTD.
(Exact Name of Registrant as Specified in its Charter)

Global Sources Ltd.
(Translation of Registrant's Name into English)

Bermuda
(Jurisdiction of incorporation or organization)

Cedar House
41 Cedar Avenue
Hamilton, HM 12 Bermuda
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class Name of Each Exchange on Which Registered
Common Shares, \$0.01 Par Value NASDAQ National Market

Securities registered or to be registered pursuant to Section 12(g)
of the Act: NONE

Securities for which there is a reporting obligation pursuant to Section 15(d)
of the Act: NONE

Indicate the number of outstanding shares of each of the issuer's classes of
capital or common stock as of the close of the period covered by the annual
report:

26,313,949 common shares, \$0.01 par value, outstanding as of March 31, 2003.

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes /X/ No / /

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Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 / /

Item 18 /X/

TABLE OF CONTENTS

GENERAL INFORMATION

Page

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.....1  
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.....1  
ITEM 3. KEY INFORMATION.....1  
ITEM 4. INFORMATION ON THE COMPANY.....11  
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.....21  
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.....32  
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.....38  
ITEM 8. FINANCIAL INFORMATION.....41  
ITEM 9. THE OFFER AND LISTING.....70  
ITEM 10. ADDITIONAL INFORMATION.....70  
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.....80  
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.....80

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.....80  
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND  
USE OF PROCEEDS.....80  
ITEM 15. CONTROLS AND PROCEDURES.....80  
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.....81  
ITEM 16B. CODE OF ETHICS.....81  
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.....81

PART III

ITEM 17. FINANCIAL STATEMENTS.....81  
ITEM 18. FINANCIAL STATEMENTS.....81  
ITEM 19. EXHIBITS.....82

FORWARD-LOOKING STATEMENTS

Except for any historical information contained herein, the matters discussed in this Annual Report on Form 20-F contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business

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strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "will" and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks and uncertainties, including current trend information, projections for deliveries, backlog and other trend projections, that may cause our actual future activities and results of operations to be materially different from those suggested or described in this Annual Report on Form 20-F. These risks include: product demand; customer satisfaction and quality issues; labor disputes; competition, including recent intense price competition; our ability to achieve and execute internal business plans; worldwide political instability and economic growth; and the impact of any economic downturns and inflation, including any weakness in the currency, banking and equity markets of countries in the Asia/Pacific region.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this Annual Report on Form 20-F, including investors and prospective investors, are cautioned not to place undue reliance on such forward-looking statements. We do not intend to update the forward-looking statements included in this Annual Report on Form 20-F.

All references in this Annual Report on Form 20-F to the terms "we," "our," "us," the "Company," "Trade Media" and "Global Sources" refer to Global Sources Ltd. and its subsidiaries. All references to "fiscal" in connection with a year shall mean the year ended December 31.

All financial information contained in this document is expressed in United States dollars, unless otherwise stated.

### PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS -  
(Not applicable)

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE - (Not applicable)

ITEM 3. KEY INFORMATION

#### Selected Financial Data

The following historical financial information should be read in conjunction with our audited consolidated financial statements and related notes, all of which are included elsewhere in this document and in "Operating and Financial Review and Prospects." The consolidated statements of income data for each of the three years ended December 31, 2000, 2001 and 2002 and selected consolidated balance sheet data as of December 31, 2001 and 2002 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this document. The consolidated statements of income data for each of the years ended December 31, 1998 and 1999 and selected consolidated balance sheet data as of December 31, 1998, 1999 and 2000 are derived from our audited financial statements not included in this document.

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Income Statement Data:	Year Ended December 31,			
	1998	1999	2000	2001
Revenue:				
Online services.....	\$14,450	\$25,463	\$55,121	\$55,121
Other media services.....	78,212	64,215	46,748	39,215
Miscellaneous.....	1,681	594	1,184	1,184
<b>Total revenue.....</b>	<b>94,343</b>	<b>90,272</b>	<b>103,053</b>	<b>95,520</b>
Operating expenses:				
Sales.....	27,498	29,481	34,436	32,481
Circulation.....	15,413	13,069	13,337	11,069
General and administrative.....	35,294	32,134	36,197	33,134
Online services development.....	3,182	3,461	6,665	8,461
Non-cash compensation expense(1).....	-	-	65,689	2,689
Other(2).....	379	371	2,371	3,371
<b>Total operating expenses.....</b>	<b>81,766</b>	<b>78,516</b>	<b>158,695</b>	<b>91,516</b>
Income/(loss) from operations.....	12,577	11,756	(55,642)	3,516
Interest expense.....	(336)	(337)	(649)	(649)
Interest income.....	732	558	1,135	558
Foreign exchange gains/(losses), net.....	160	427	50	(427)
Write-down of investments.....	-	-	(11,750)	(11,750)
Income/(loss) before income taxes.....	13,133	12,404	(66,856)	1,135
Income tax provision.....	(1,552)	(1,435)	(1,277)	(1,435)
Income/(loss) before minority interest.....	\$ 11,581	\$ 10,969	\$ (68,133)	\$ (1,435)
Equity in (loss)/income of affiliate.....	-	-	(51)	(51)
Minority interest.....	-	-	(37)	(37)
Net income/(loss).....	\$11,581	\$10,969	\$ (68,221)	\$ (1,523)
Basic and diluted net income/(loss) per share...	\$0.46	\$0.44	\$ (2.63)	\$ (0.15)
Cash dividends declared per share.....	0.80	0.60	-	-
Weighted average shares outstanding(3).....	25,051	25,051	25,948	26,051
-----				
Balance Sheet Data:				
Cash and cash equivalents.....	\$15,713	\$15,433	\$12,727	\$20,727
Total assets.....	46,960	46,645	55,706	53,645
Net assets.....	9,686	5,710	8,161	11,710
Long-term debt, less current portion	5,366	3,540	16,084	15,084
Total shareholders' equity.....	9,686	5,710	8,161	11,710

(1) Reflects the non-cash compensation expenses associated with the transfer of shares from the parent company to the chairman and chief executive officer of the Company and grants under the employee equity compensation plans. Approximately \$623 (2001: \$381; 2000: \$291) represents sales expenses, \$238

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(2001: \$87; 2000: \$168) represents circulation, \$1,179 (2001: \$1,546; 2000: \$65,044) represents general and administrative and \$524 (2001: \$487; 2000: \$186) represents online services development expenses.

- (2) Includes amortization of intangibles/software development cost and for the year ended December 31, 2000 also includes non-cash listing expenses of approximately \$1.4 million.
- (3) On April 14, 2000, in conjunction with our share exchange, we effectively consummated a 2,505 for 1 stock split. All share and per share amounts have been restated for all periods presented. For a further discussion of our share exchange, please see Note 21 of our consolidated financial statements appearing elsewhere in this document.

-2-

### Risk Factors

In addition to other information in this Report, the following risk factors should be carefully considered in evaluating Global Sources and its business because such factors may have a significant impact on Global Sources' business, operating results and financial condition. As a result of the risk factors set forth below and elsewhere in this Report, and the risks discussed in Global Sources' other Securities and Exchange Commission filings, actual results could differ materially from those projected in any forward-looking statements.

General economic uncertainty may reduce our revenues and affect our business.

The revenue growth and profitability of our business depends significantly on the overall demand for Internet-based, business-to-business e-commerce solutions. We believe that the market for these solutions may be negatively impacted by a number of factors including reductions in marketing expenditures by customers and the overall weakening of global economies. These factors may give rise to a number of market trends that may slow our revenue growth. These trends include the lengthening of sales cycles, the deferral or delay of e-commerce projects, the reduction of expenditures for e-commerce solutions and related services, and increased price competition. If the current economic slowdown continues, the effects of the slowdown could adversely affect our business, results of operations or financial condition.

We have a limited history in the online services business and may be unable to expand our online services revenues.

We have a limited operating history in the online services business upon which you may evaluate us. We expect to generate a significant portion of our revenue in the future from our online services and related services. Our online services revenue model is evolving and may change significantly in the future. Currently, we derive most of our online services revenue from monthly fees paid by suppliers for Marketing Websites. All other online services, such as banner advertising, Private Buyer Catalogs and Private Supplier Catalogs, have not yet generated, and may never generate, significant revenue. If revenue from our online services does not continue to increase, our business, financial condition or operating results may be harmed.

If our current and potential customers are not willing to adopt and renew our e-commerce services, we may not attract and retain a critical mass of customers.

Our services will be attractive to suppliers only if buyers use our services to identify suppliers and purchase their products. The content, products and suppliers currently available on our websites or made available by suppliers may

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not be sufficient to attract and retain buyers. Furthermore, because the business-to-business e-commerce market is new, potential customers may be confused or uncertain about the merits of e-commerce services or which e-commerce services to adopt, if any. If buyers and suppliers do not accept our online services, or if we are unable to attract and retain a critical mass of buyers and suppliers for our e-commerce services, our business will suffer and our revenue will not increase.

None of the buyers or suppliers that currently use our services are under any long-term contractual obligation to continue using our services. As a result, our current customers may not be customers in the future.

We may not be successful in pursuing acquisitions, joint ventures and alliances to expand our business.

In order to remain competitive and to grow our business, we may conclude selective acquisitions and enter into joint ventures and alliances. We may not be able to negotiate the terms successfully, finance the acquisition or arrangement, or integrate any new businesses, products or technologies into our existing business and operations. Even if we are successful in integrating any new businesses, products or technologies into our existing business, we may not achieve expected results, or we may not realize other expected benefits. If we are unable to make acquisitions and enter into joint ventures and alliance arrangements successfully, our growth and revenue may be harmed.

-3-

If we are unable to compete effectively, we will lose current customers and fail to attract new customers.

The e-commerce industry is intensely competitive, evolving and subject to rapid technological change. Barriers to entry are minimal, and competitors are able to launch new websites at a low cost. Competition is likely to result in price reductions, reduced margins and loss of market share, any one of which may harm our business. We compete for a share of a customer's marketing and advertising budgets with other established and emerging online services and traditional offline media. Competitors vary in size, scope and breadth of the products and services offered. We may encounter competition from companies who offer more comprehensive content, services and/or functionality.

Many of our current and potential competitors may have greater financial, technical, marketing and/or other resources and greater name recognition than we have. In addition, many of our competitors may have established relationships with one another and with our current and potential suppliers and buyers and may have extensive knowledge of our industry. Current and potential competitors have established or may establish cooperative relationships with third parties to increase the ability of their products to address customer needs. Accordingly, our competitors may develop and rapidly acquire significant market share.

Our quarterly operating results fluctuate, and we may fail to meet analyst, investor and shareholder expectations, causing our share price to fall.

The operating results of companies in the e-commerce industry, including us, have experienced quarter-to-quarter fluctuations. Our buyer activity on Global Sources Online is often relatively slower during the summer and year-end vacation and holiday periods. Additionally, our online services revenue and print advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year as a result of increased advertising and media

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buying in that quarter. As with other companies in our industry, our expenses are based upon expectations of revenue, and significant costs may be incurred before revenue is generated. If revenue in a quarter falls below the expectations of public market analysts, investors and shareholders, the price of our shares may fall.

The international markets in which we do business are subject to political and economic instability, which may interfere with our ability to do business, increase our costs or decrease our revenue.

The international markets in which we operate are subject to risks, including:

- o fluctuations in regional economic conditions;
- o political instability;
- o conflicting and changing legal and regulatory requirements;
- o restrictions placed on our operations due to our foreign status;
- o significant changes in tax rates and reporting requirements;
- o the loss of revenue, property and equipment from expropriation, nationalization, war, insurrection, terrorism and other political risks;
- o adverse governmental actions, such as restrictions on transfers of funds and trade protection measures, including tariffs and export quotas; and
- o fluctuations in currency exchange rates.

-4-

Geographic, time zone, language and cultural differences may also prevent us from effectively selling our products and services, which may inhibit growth and reduce revenue.

Our dependence on key Asian markets for current and future revenue growth is significant, and economic or political instability in those markets could reduce our revenue and seriously harm our business.

Our customers in China provide more than 38% of our total revenues, and the size of our market in China is forecasted to continue growing for the next several years. The dependence we have on the China market and its revenues is significant, and adverse political and/or economic changes in China may cause our business to be harmed and our revenues to decline.

Any future economic or political instability in the Asia-Pacific region, from which we derive most of our revenue, could adversely affect our business and decrease our revenue.

In 2002, we derived more than 90% of our revenue from customers in the Asia-Pacific region. We expect that a majority of our future revenues will continue to be generated from customers in this region. At the time of the Asian economic crisis of 1997 and 1998, certain of our contracts were denominated and priced in foreign currencies. The conversion of these contract proceeds into U.S. dollars resulted in losses and is indicative of the foreign exchange risk assumed by us. During the Asian economic crisis, both our sales and revenues

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declined. If there is future political or economic instability in the Asia-Pacific region, our business may be harmed and our revenues may decrease.

Fluctuations in currency exchange rates may harm our results of operations.

We operate internationally and foreign exchange rate fluctuations may have a material impact on our results of operations. To the extent significant currency fluctuations occur in the New Taiwan dollar, the Chinese Renminbi or other Asian currencies or if the Hong Kong dollar were no longer pegged to the U.S. dollar, our revenue and profits would be affected. Currently, we do not hedge our exposure to foreign currency fluctuations.

Current weakness of the telecommunications and Internet infrastructure in the Asia-Pacific region could harm our business.

We are likely to continue to derive the majority of our e-commerce revenue in the future from the Asia-Pacific region. The quality of the telecommunications and Internet infrastructure, and telephone line availability in some Asia-Pacific countries is poor. This may contribute to lower than expected adoption of many of our services and may cause usage growth and revenue to fall below expectations. In addition, access fees are high in many Asia-Pacific countries, which also contributes to low usage and may adversely affect our growth and revenue potential.

Customer concerns regarding security may deter use of our products and services.

Widely publicized security breaches involving the Internet or in e-commerce generally, or our failure to prevent security breaches, may cause our current and potential customers not to use our products and services. We may be required to incur additional costs to protect against security breaches or to alleviate problems caused by such breaches. Our potential for growth as an e-commerce provider depends on our customers' confidence in the security of our products and services.

The failure of third parties to meet our expectations and the requirements of our customers may make our services less attractive to customers.

We rely on third parties for catalog information, licenses, product delivery and technology products and services. We have no control over the accuracy, timeliness or effectiveness of the information, products and ser-

-5-

vices of these third parties. As a result of third-party actions, we may fail to provide accurate, complete and current information about them and their products in a timely manner and to deliver products to buyers in a satisfactory manner.

We rely on technology relationships with software developers and providers, systems integrators and other technology firms to support, enhance and develop our products and services. We have contracts with technology providers to enhance, expand, manage and maintain our computer and communications equipment and software. Services provided by third parties include managing our Global Sources Online network Web server, maintaining our communications lines and managing our network data centers and software development. These relationships may not continue or we may not be able to develop additional third-party relationships on acceptable commercial terms, which could cause customer dissatisfaction and/or a delay in the launch of new software or services.

We license some components of our technology from third parties. These licenses may not be available to us on commercially reasonable terms in the future. The



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loss of these licenses could delay release or enhancement of our services until equivalent technology could be licensed, developed or otherwise obtained. Any such delay could have a material adverse effect on our business. These factors may deter customers from using our services, damage our business reputation, cause us to lose current customers, and harm our ability to attract new customers.

We rely on our independent sales force, and the loss of any significant members of our sales force would harm our business and revenue.

We rely on the services of our independent sales force for the sales and marketing of our products and services. We have service agreements with various sales representative outsourcing firms that employ such sales personnel. Generally, either we or the outsourcing firm may terminate the service agreement between us upon short notice. We may not retain some of our outsourcing firms, or they may not retain some of their sales personnel or be able to replace them with equally qualified personnel. Furthermore, if an outsourcing firm terminates its agreement with us, some of our customers with a direct relationship with that outsourcing firm or its personnel may terminate their relationship with us.

The loss of strategic relationships could make our services less appealing and useful to our customers.

We have license and partnership agreements with third parties that provide us with a wider geographic presence and product range with buyers. These third parties expose our products and services to potential customers to which we would not otherwise have access. The loss of such agreements could reduce our presence in the market and make our services less appealing to our customers. In addition, we may discover that these arrangements do not generate the expected number of new customers or products. We cannot be sure that these parties will be able to implement our products and services effectively or that buyers and suppliers will participate in their online marketplaces. In addition, we may not be able to renew these agreements and their termination may reduce the number of suppliers and their products that we are able to offer to buyers, and the number of buyers to which suppliers have access.

The loss of one or more of our executive officers or key employees, either to a competitor or otherwise, could harm our business.

Our executive officers and key employees are critical to our business. Our executive officers and key personnel may not remain with us and their loss may restrict our development of technology, and may reduce our revenues and cash flows. In particular, the services of our CEO, CFO, COO and CIO are important to our operations. If competitors hire our key personnel, it could allow them to compete more effectively by diverting customers from us and facilitating more rapid development of their competitive offerings.

-6-

We may not be able to hire and retain sufficient technical personnel, which may adversely affect implementation of our growth strategy and limit our revenues.

If we fail to hire and retain sufficient technical personnel, we may be unable to develop, implement and maintain our products and services. Competition for qualified technical personnel is intense in all regions where we have operations. Our competitors have attempted to hire our employees and we expect that they will continue to do so.

If the Internet and related services do not grow as anticipated, our revenue

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will not increase and our business will be harmed.

Our business depends on increasing acceptance and use of the Internet as a medium of business-to-business e-commerce. Growth in the use of the Internet is a recent phenomenon. As a result, acceptance and use may not continue to develop at historical or anticipated rates. In addition, a sufficiently broad base of business customers may not adopt or continue to use the Internet as a medium of e-commerce. Demand and market acceptance for recently introduced services and products over the Internet are subject to uncertainty and there exist few proven services and products.

As we grow, we may have difficulty maintaining our database, which may cause our customers to discontinue their use of our products and services.

A failure to update and maintain our database or to maintain our performance will negatively affect our growth and revenue. We update and maintain an extensive database of technical and descriptive information on products and suppliers. This information is used to support our services, software applications and websites. Our inability to provide current, accurate and comprehensive information may reduce our ability to attract and retain a critical mass of buyers and suppliers, which is essential for our success. Furthermore, our computer systems and databases may not be able to process large amounts of complex product specification and configuration data without a significant decrease in performance.

Our inability to acquire or maintain effective Web domain names could create confusion and direct traffic away from our online services.

If we are not able to prevent third parties from acquiring Web domain names that are similar to the various Internet Web domain names that we own, third parties could create confusion that diverts traffic to other websites away from our online services, thereby adversely affecting our business. The acquisition and maintenance of Web domain names generally is regulated by governmental agencies. The regulation of Web domain names in the United States and in foreign countries is subject to change. As a result, we may not be able to acquire or maintain relevant Web domain names in all countries where we conduct business. Furthermore, the relationship between regulations governing such addresses and laws protecting proprietary rights is unclear.

If we release new services, catalog tools or software containing defects, we may need to halt further sales and/or services until we fix the defects, and our reputation could be harmed.

Our services depend on software that is complex and that may contain unknown and undetected defects, errors or performance problems. We may not discover defects, errors or performance problems that affect our new or current services or enhancements until after they are deployed. These defects, errors or performance problems could cause service interruptions, which could damage our reputation or increase our service costs, cause us to lose revenue, delay market acceptance or divert our development resources, any of which could severely harm our business.

-7-

Risk of failure of our computer and communications hardware systems increases without redundant facilities.

Our business depends on the efficient and uninterrupted operation of our computer and communications hardware systems. Any system interruptions that cause Global Sources Online to be unavailable to Web browsers may reduce the

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attractiveness of Global Sources Online to advertisers and could materially adversely affect our business, financial condition and operating results. We maintain most of our computer systems in one Web-hosting and internal support facility in Singapore. We do not have redundant facilities or disaster recovery systems for our computer systems. Interruptions could result from natural disasters as well as catastrophic hardware failures, software problems, extended power loss, telecommunications failure and similar events.

We may be subject to legal liability for publishing or distributing content over the Internet.

We may be subject to legal claims relating to the content on Global Sources Online or our other websites, or the downloading and distribution of such content. Claims could involve matters such as libel and defamation, patent, trademark, copyright and design infringement, allegations of passing off, and invasion of privacy. Providers of Internet products and services have been sued in the past, sometimes successfully, based on the content published or made available on their websites. In addition, some of the content provided on Global Sources Online is manually entered from data compiled by other parties, including governmental and commercial sources, and this data may have errors, or we may introduce errors when entering such data. If our content is improperly used or if we supply incorrect information, third parties may take legal action against us. In addition, we may violate usage restrictions placed on text or data that is supplied to us by third parties. Our insurance may not cover claims of this type, or may not provide sufficient coverage, which could harm our business, financial condition or operating results.

Our intellectual property protection is limited, and others may infringe upon it, which may reduce our ability to compete and may divert our resources.

Our success depends upon proprietary technology, content and other intellectual property rights. We have relied on a combination of copyright, trade secret and trademark laws and nondisclosure and other contractual restrictions to protect ourselves. Our efforts to protect our intellectual property rights may not be adequate. Our competitors may independently develop similar technology or duplicate our software and services. If others are able to develop or use technology and/or content we have developed, our competitive position may be negatively affected.

We cannot determine whether future patent, service mark or trademark applications, if any, will be granted. No certainty exists as to whether our current intellectual property or any future intellectual property that we may develop will be challenged, invalidated or circumvented or will provide us with any competitive advantage.

Litigation may be necessary to enforce our intellectual property rights, protect trade secrets, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. Intellectual property laws provide limited protection. Moreover, the laws of some foreign countries do not offer the same level of protection for intellectual property as the laws of the United States. In addition, we may be unable to detect unauthorized use of our intellectual property. Litigation may result in substantial costs and diversion of resources, which may limit our ability to develop new services and compete for customers.

If third parties claim that we infringe upon their intellectual property rights, our ability to use technologies and products may be limited, and we may incur costs to resolve these claims.

We have in the past, and may in the future, co-develop some of our intellectual property with independent third parties. In these instances, we take all action that we believe is necessary and advisable to protect and to gain ownership of

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all co-developed intellectual property. However, if such third parties were to introduce similar or

-8-

competing e-commerce products and services that achieve market acceptance, the success of our e-commerce products and our business, financial condition, prospects and operating results may be harmed.

Litigation regarding intellectual property rights is common in the Internet and software industries. Defending against these claims could be expensive and divert our attention from operating our business. We expect third-party infringement claims involving Internet technologies and software products and services to increase. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop non-infringing technology, obtain a license or cease using the applications that contain the infringing technology or content. We may be unable to develop non-infringing technology or content or to obtain a license on commercially reasonable terms, or at all.

In the past, we have received notices alleging intellectual property infringements. However, to date there has been no successful litigation directed against us with respect to the infringement and/or improper use of the intellectual property rights of third parties. We do not believe any current allegations will be sustained, or if sustained, will adversely affect our business.

We may also be named as a defendant in litigation alleging infringement of intellectual property rights by our customers. We may be required to defend ourselves and our customers against infringement claims. In the event of a claim of infringement, we and our customers may be required to obtain one or more licenses from third parties, and we may be unable to obtain necessary licenses at a reasonable cost or at all. Inability to obtain licenses may prevent us or our customers from offering products and services to our other customers, which may limit our revenue.

Our lengthy sales and implementation cycle could cause delays in revenue growth.

The period between our initial contact with a potential customer and the purchase by it of our products and services is often long and may have delays associated with the lengthy budgeting and approval processes of our customers.

New government regulations may increase our costs of doing business.

The laws governing Internet transactions remain largely unsettled. The adoption or modification of laws or regulations relating to the Internet may harm our business by increasing our costs and administrative burdens. It may take years to determine whether and how existing laws apply to the Internet.

Laws and regulations directly applicable to the Internet are becoming more prevalent. We may have to comply with new regulations in countries where we do business. The growth and development of e-commerce may prompt more stringent laws. Compliance with these laws may prove difficult and may harm our business.

You will not know the identity of the beneficiaries or settlor of the Trust, which is our controlling shareholder.

The Quan Gung 1986 Trust, through Hung Lay Si Co. Ltd., its wholly owned subsidiary, beneficially owns approximately 61% of our common shares. Hill Street Trustees Limited, an Island of Jersey limited liability company, is the

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trustee of the Trust. The shares of Hill Street Trustees Limited are owned by partners of the Mourant Group, which is a firm based in the Island of Jersey that provides trust administration services. Counsel to the trustee has informed us that, by virtue of the terms of the Trust and the laws of the Island of Jersey, the trustee cannot make disclosure of the names of the beneficiaries and settlor of the Trust in accordance with the obligations placed on it and in accordance with its duties of confidentiality. Accordingly, you may never know the identity of the beneficiaries or settlor of the Quan Gung 1986 Trust.

-9-

There is a limited public market for our shares and the trading volume for our shares is low, which may limit your ability to sell your shares or purchase more shares.

Our common shares have been traded in the public market for a limited time and this market may not be sustained. As a result of the April 2000 share exchange, 1,189,949 of our common shares were listed on the NASDAQ National Market. We currently have as of December 31, 2002 approximately 1,065 shareholders, and approximately 6,149,840 shares that are tradable on the NASDAQ National Market.

However, because of the small number of shareholders and the small number of tradable shares, we cannot be sure that an active trading market will develop or be sustained or that you will be able to sell common shares when you want to. As a result, it may be difficult to make purchases or sales of our common shares in the market at any particular time or in any significant quantity. If our shareholders sell substantial amounts of our common shares in the public market, the market price of our common shares may fall. In addition, such sales may create the perception by the public of difficulties or problems with our products and services. As a result, these sales may make it more difficult for us to sell equity or equity related securities in the future at a time or price that is appropriate.

Internet-related share prices are volatile, and this volatility may depress our share price, which would reduce the value of our shares and our ability to raise additional capital by selling more shares.

Share prices of Internet-related companies have been volatile. This volatility is often not related to the operating performance of the companies. This industry volatility may reduce the price of our common shares, without regard to our operating performance. Due to this volatility, the market price of our common shares may decrease. This may make it more difficult for us to sell equity securities at a time and price that is appropriate. The market price of our common shares may fluctuate in response to the following factors, some of which are beyond our control:

- o variations in our quarterly financial and other operating results;
- o changes in public market analysts' estimates of our financial performance;
- o changes in market valuations of similar companies;
- o announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- o additions or departures of key personnel; and
- o fluctuations in trading volume.

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Because we are governed by Bermuda law rather than the laws of the United States, our shareholders may have more difficulty protecting their rights because of differences in the laws of the jurisdictions.

We are organized pursuant to the laws of Bermuda. In addition, certain of our directors and officers reside outside the United States and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to realize against them judgments of courts of the United States predicated upon civil liabilities under the United States federal securities laws. We have been advised by our legal counsel in Bermuda, Appleby, Spurling & Kempe, that there is doubt as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon U.S. federal securities laws, although Bermuda courts will enforce foreign judgments for liquidated amounts in civil matters subject to certain conditions and exceptions.

-10-

It may be difficult for a third party to acquire us, and this may depress our share price.

Our bye-laws contain provisions that may have the effect of delaying, deferring or preventing a change in control or the displacement of our management. These provisions may discourage proxy contests and make it more difficult for the shareholders to elect directors and take other corporate actions. These provisions may also limit the price that investors might be willing to pay in the future for our common shares. These provisions include:

- o providing for a staggered board of directors, so that it would take three successive annual general meetings to replace all directors;
- o requiring the approval of 100% of shareholders for shareholder action by written consent;
- o establishing advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that may be acted upon by shareholders at a general meeting; and
- o restricting business combinations with interested shareholders that have not been approved by at least two-thirds of the holders of our voting shares (other than the interested shareholder) or by a majority of the continuing directors or if certain prescribed conditions are met assuming that we will receive fair market value in exchange for such business combination. In this context, a "business combination" includes mergers, asset sales and other material transactions resulting in a benefit to the interested shareholder or the adoption of a plan for our liquidation or dissolution; a "continuing director" is a member of our board of directors that is not an affiliate or associate of an interested shareholder and was a member of our board prior to such person becoming an interested shareholder; and an "interested shareholder" is any person (other than us or any of our subsidiaries, any employee benefit or other similar plan or any of our shareholders that received our shares in connection with our recent share exchange prior to the listing of our shares on NASDAQ) that owns or has announced its intention to own, or with respect to any of our affiliates or associates, within the prior two years did own, at least 15% of our voting shares.

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### ITEM 4. INFORMATION ON THE COMPANY

#### History and Development of the Company

We are a leading facilitator of global merchandise trade. Our business began in 1971 in Hong Kong when we launched Asian Sources, a trade magazine to serve global buyers importing products in volume from Asia. Today, we are one of Asia's leading providers of trade information in print, online, on CD-ROM and face-to-face, meeting the marketing and sourcing needs of our supplier and buyer community.

While our core business facilitates imports from Asia, we also facilitate trade in the opposite direction. In 1985, we launched Electronics News for China for this purpose, and today we have several publications, their associated websites, leading events and conferences that provide information to high-tech design engineers and manufacturers in China and throughout Asia.

Realizing the importance of e-commerce, we commercially released the first version of Global Sources Transact software in 1991. We then became one of the first providers of business-to-business online services by launching Asian Sources Online in 1995. In 1999, we changed the name of Asian Sources Online to Global Sources Online.

-11-

We were originally incorporated under the laws of Hong Kong in 1970. In April 2000, we completed a share exchange with a publicly traded company based in Bermuda, and our shareholders became the majority shareholders of the Bermuda corporation. As a result of the share exchange, we became incorporated under the laws of Bermuda and changed our name to Global Sources Ltd.

Our capital expenditures during the year ended December 31, 2002 amounted to \$4.2 million and were incurred mainly for computers, software and furniture and fixtures. Capital expenditures during the three months period ended March 31, 2003 amounted to \$0.4 million and were incurred mainly for computers, software and a motor vehicle. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed during the year ended December 31, 2002 and three months ended March 31, 2003 amounted to \$0.2 million and approximately \$NIL million respectively.

Our primary operating offices are located in Hong Kong, Singapore and the Philippines. Our registered offices are located at Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda, and our telephone number at that address is (441) 295-2244. Our website address is [www.globalsources.com](http://www.globalsources.com). Information contained on our website is not incorporated by reference into this document and should not be considered a part of this document.

#### Business Overview

Global Sources facilitates global trade between buyers and suppliers, by providing the right information, at the right time, in the right format. We enable more effective buying and selling by providing valuable, industry-specific information and integrated marketing solutions through our online services, trade magazines, CD-ROMs, and conferences and exhibitions. In addition, we help companies create, manage and distribute their own product information by providing an end-to-end content management solution.

We serve an independently certified community of more than 378,000 active

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members in over 230 countries and territories. These individuals purchase direct goods in volume for resale. As of December 31, 2002, over 140,000 suppliers were listed in our online services. During the year ended December 31, 2002, buyers sent more than 3.3 million Requests For Information (RFIs) to suppliers through Global Sources Online. Our online services are comprised of 18 vertical and 14 geographic portals and we believe that they host more marketing and sourcing activity than any other global merchandise trade marketplace. Revenue from our online services grew from 15.3% of our total revenue for the year ended December 31, 1998 to 58.6% of our total revenue for the year ended December 31, 2002. Online services revenue equaled \$51.3 million for the year ended December 31, 2002.

The following table sets forth our revenue categories for the last three fiscal years:

	2000	Year Ended December 31, 2001
Revenues:		
Online services.....	\$ 55,121	\$ 55,468
Other media services.....	46,748	39,010
Miscellaneous.....	1,184	807
	\$ 103,053	\$ 95,285

-12-

The following table represents our revenue by geographical areas for the last three fiscal years:

	2000	Year Ended December 31, 2001
Revenues:		
Asia.....	\$ 95,388	\$ 88,427
United States.....	5,235	5,255
Europe.....	1,083	908
Other.....	1,347	695
Consolidated.....	\$ 103,053	\$ 95,285

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at 38% of total revenue during fourth Quarter of 2002. Our revenue is derived from two primary sources:

- o Online Services - Our primary service is creating and hosting Marketing Websites that present suppliers' product and company information in a consistent and easily searchable manner on Global Sources Online. We also derive revenue from banner advertising fees.
- o Other Media Services - We publish trade magazines, which consist



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primarily of advertisements and independent editorial reports. We publish our core trade magazines monthly and several specialized magazines seasonally, as well as CD-ROM versions of our various vertical marketplaces on Global Sources Online. Suppliers pay for advertising in these media to promote their products and companies. We also derive revenue from hosting conferences and exhibitions, and from buyers that subscribe to our trade publications.

### Industry background

#### The International Trade Market Opportunity

According to the World Trade Organization, global exports were approximately \$6 trillion in 2001. They also reported that the ratio of world trade in goods and services to world GDP reached 29%, an increase of 19 percentage points since 1970.

The growth in global trade is supported by several factors, including the increased recognition of the benefits of free trade, the proliferation of free trade agreements, more efficient global communications and logistics, and more widespread use of electronic commerce technology. Due to its inherent fragmentation and complexity, global merchandise trade is particularly suited to benefit from e-commerce and online marketplaces.

#### International Trade Sourcing and Marketing Challenges

International commerce is highly complex, fragmented and expensive, which has prevented many companies from participating. The large scale and fragmented nature of international trade can make it difficult for buyers and suppliers to identify each other. Accordingly, buyers' search and evaluation costs and suppliers' advertising and marketing expenses can be far greater than in a domestic environment.

-13-

### Our solution

We have developed solutions that streamline the sourcing and marketing processes associated with international trade and accordingly, enable more effective buying and selling. The key elements of our solutions are as follows:

#### Neutral platform that benefits both buyers and suppliers

The common interface of the Marketing Websites on Global Sources Online allows buyers to efficiently search, either by keyword, product, supplier or by geographic area, without having to navigate differently formatted sites of multiple suppliers. At the same time, global suppliers have a medium to promote and display their product offerings and thereby generate RFIs, or inquiries, from buyers.

#### Global coverage and breadth of products that perpetuates a growing buyer/supplier network

Buyers from 230 countries and territories made inquiries on our online services during the year ended December 31, 2002. As our base of active buyers increases, we believe that our online services will become increasingly attractive to suppliers and that the growth will become self-perpetuating. As the number of buyers and sellers using our services grows, our site becomes incrementally more attractive to additional buyers and sellers.

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Complementary media that serve different market segments and satisfy different needs

We publish monthly and seasonal trade magazines and we produce CD-ROM versions of content from Global Sources Online. We also organize and host conferences and exhibitions.

Catalog tools that support buying and selling

My Catalog provides additional content, functionality and support for buyers compared to what is available on Global Sources Online. It enables buyers to maintain, in a secure, online environment, customized information from current and potential suppliers. Private Supplier Catalogs are password-protected online environments where suppliers can develop and maintain their own product and company data, and send information to online marketplaces or buyer catalogs.

Our growth strategy

Our goal is to be the leading creator and facilitator of global merchandise trade. Our strategy to achieve and maintain this goal has four primary components:

Expand Market Share in China

We will continue to pursue greater market share in China, through the use of our China representatives and dominant market position, to further facilitate two-way trade. We have over 20 years experience in this vast and rapidly expanding market. We currently have 800 team members in 42 locations in mainland China alone, the majority of whom are involved with sales and sales support.

Increase penetration of our online services

We intend to increase the penetration of our online services in our existing 18 vertical and 14 geographic markets. We have a team of over 700 sales representatives who focus on introducing our full line of services to the 140,000 suppliers listed on Global Sources Online.

-14-

We believe that this sales force plays a vital role in educating, attracting, retaining and supporting these customers. We believe that as Global Sources Online grows in content and usage, more buyers will be attracted, and thus, more suppliers will seek to maintain Marketing Websites and use our associated services.

Expand service offerings to high-tech manufacturers in Asia

Our strategy is to leverage our market leading position serving the information needs of high-tech manufacturers, including electronics engineers and buyers throughout Asia. We aim to increase market penetration and increase the range of services we offer.

Pursue strategic partnership and acquisition opportunities

We may pursue strategic acquisitions of complementary businesses, technologies or products that we believe will accelerate one or more of the elements of our strategy. We currently have no understandings, arrangements or agreements with respect to any potential acquisitions. We also intend to develop and utilize

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strategic partnerships to gain access to a larger number of potential users, cooperatively market products and services, cross-sell additional services and/or gain entry to new markets.

### Our services

Global Sources' products and services allow international buyers to identify suppliers and products, and enable suppliers to market their products to a large number of buyers. Our mission is to create and facilitate global trade between buyers and suppliers by providing the right information, at the right time, in the right format.

Buyers purchase goods from suppliers who market themselves through our online services, trade magazines, CD-ROMs, as well as our conferences and exhibitions. We provide information that helps buyers evaluate numerous sourcing options so they can place orders with suppliers that offer them the best terms, conditions and capabilities.

We help suppliers market their products and their capabilities to our community of buyers worldwide. By receiving inquiries from a wide selection of buyers, suppliers have more opportunity to achieve the best possible terms, and to learn which markets have the highest demand. To support their export marketing needs, we provide suppliers with a content cleansing, normalizing, rationalizing and segmenting service.

### Online Services

Through Global Sources Online we offer online services that assist buyers in identifying suppliers and products, and that allow suppliers to market their products to a wide variety of buyers. A key measure of the performance of our services is the quantity and quality of marketing and sourcing activity. During the year ended December 31, 2002, buyers made more than 3.3 million RFIs to suppliers through Global Sources Online, an increase of 17% over the same period in 2001.

Our primary service to suppliers is our Marketing Websites. Each Marketing Website is comprised of a home page, a company profile and an electronic, virtual showroom containing product profile pages on the supplier's products. Each product profile page contains detailed product information and specifications and a full color image.

Suppliers pay us a monthly fee for their Marketing Website that varies depending on the number of product profiles they choose to feature. For an additional flat fee, suppliers may upgrade to a Gold Website. This enables them to feature additional company information on their site, which may include details about their factories, management, quality controls and research and development.

-15-

Many suppliers choose to supplement their Marketing Websites with additional online marketing services. For example, suppliers can sponsor a particular product or other search category on Global Sources Online. When a buyer searches that category, the supplier's banner is displayed promoting its products or services, with a link to that supplier's Marketing Website.

Buyers may search Global Sources Online by product, by keyword, by supplier or by country. A key feature of Global Sources Online is the common interface to suppliers' information, making it unnecessary for buyers to leave our website to visit numerous individual supplier websites, each with a different data

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structure and design. Another important feature of Global Sources Online is "Product Alert." Buyers set their profiles by registering for product categories about which they would like to receive information. They are then notified by e-mail whenever there is new advertising or editorial content in the product categories they specified.

### Private Catalogs

We offer My Catalog for buyers to make their sourcing and purchasing activities more efficient. My Catalog has all the functionality of Global Sources Online plus additional content, functionality and support. The catalogs enable buyers to maintain personalized product and supplier information for current and/or potential suppliers. We launched earlier versions of this service in 1998, called Private Buyer Catalogs. Today, large buying organizations, including Radio Shack, AEON and Lotte use the service.

Our Private Supplier Catalogs enable suppliers to enter, manage, update and distribute their product and company data for a variety of online marketing and cataloging applications. Each Private Supplier Catalog is a private, password-protected online environment where the supplier has the sole right of access and data entry. We provide tools within the catalog to assist suppliers with creating, updating and posting content.

### Other Media Services

We publish the following industry-specific trade magazines monthly:

Asian Sources Computer Products	Asian Sources Electronics
Asian Sources Electronic Components	Asian Sources Fashion Accessories & Supplies
Asian Sources Gifts & Home Products	Asian Sources Hardwares
Asian Sources Telecom Products	

We also publish the following specialized magazines and CD-ROMs seasonally and/or for special trade events:

Global Sources Auto Parts & Accessories	Global Sources Security & Safety
Global Sources DIY & Home Center	Global Sources Sporting Goods & Outdoor Equipment
Global Sources Furniture & Housewares	Global Sources Stationery & Office
Equipment Global Sources Trimmings & Fabrics	Global Sources Timepieces Global
Sources Lighting & Electricals	Global Sources Electronic Components - Spring & Fall special editions

Our trade magazines contain advertisements from suppliers, as well as our independent editorial features, which include market reports and product surveys. Our CD-ROMs provide buyers with an offline, electronic means of accessing content found within the vertical marketplaces on Global Sources Online. In addition to our paid subscription base, we distribute samples of our trade magazines and CD-ROMs free of charge to prospective customers at a variety of trade shows and events.

-16-

### Asia and China-focused Services

In addition to our primary services, our 32-year history and local market expertise in Asia have enabled us to become a leading provider of information to

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electronics engineers, exporters and executives throughout the Asian region. We have created three websites and publish three magazines covering this segment of our business. In addition, we host several conferences and events each year for a variety of participants in the Asian electronics markets.

### Websites

Website	Description
Chief Executive China Online www.cec.globalsources.com	-- A resource focusing on excellent management practice for China's business leaders.
Electronic Engineering Times Online English - www.eetasia.com Simplified Chinese - www.eetchina.com Traditional Chinese - www.eettaiwan.com Korean - www.eetkorea.com	-- Provides news about electronic products and their applications. Available in traditional and simplified Chinese, English, and Korean.
Electronic Buyers' News China Online www.ebnchina.com	-- Provides global and local industry news summaries and product updates that impact Mainland China's electronics manufacturers.

### Magazines

Magazine	Description
Global Sources Chief Executive China	-- Published monthly in simplified Chinese; serves senior mainland China management with features on management techniques, strategies and case studies.
Electronic Engineering Times - China Electronic Engineering Times - Korea Electronic Engineering Times - Taiwan Electronic Engineering Times - Asia Electronic Engineering Times - Hong Kong	-- Published biweekly in five editions; delivers the latest high-tech components and techniques to Asia's engineering community in Chinese, Korean and English.
Electronic Buyers' News China	-- Published monthly in simplified Chinese; serves electronics enterprise managers who are responsible for component, material and equipment purchasing decisions.

### Customers

We provide services to a broad range of international buyers and suppliers in various vertical trading communities.

### Suppliers

Suppliers from more than 150 countries and territories, approximately 90% of which are currently Asian manufacturers and trading companies, are currently listed and categorized on our websites. None of our supplier customers represented more than 1% of our revenue during the year ended December 31, 2002.

#### Buyers

Across the vertical markets we currently cover, we serve over 378,000 unique, active buyers who have made an RFI using Global Sources Online, or received a magazine or CD-ROM within the last 12 months. Specific procedures used to determine the reliability of the number of unique buyers were performed by an internationally-recognized accounting firm.

We emphasize serving large buying organizations as these companies are more technologically advanced and account for a disproportionately large volume of trade.

We have developed our services primarily for retailers, distributors and manufacturers who import in volume for resale. We serve a specialized group of senior executives with large import buying power. We believe over 50% of these executives are owners, partners or presidents and another 20% are vice presidents, general managers or directors of their respective companies. We believe the median volume of annual import purchases for which these executives are responsible exceeds \$2.0 million.

#### Sales and marketing

Our global sales organization consists of approximately 700 full-time independent representatives in more than 60 locations. These representatives focus on developing and maintaining relationships with suppliers that are current customers and seek to increase the number of suppliers using our services. Online services and print advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year. Representatives collectively make an average of 40,000 supplier visits per month. The largest representative sales offices are located in Beijing, Guangzhou, Hong Kong, Seoul, Shanghai, Shenzhen and Taipei.

Our marketing strategy leverages our database of 140,000 suppliers currently listed on Global Sources Online. Sophisticated analyses of buyer and supplier profile data enable us to target our marketing programs to areas ranging from specific product categories within verticals to entire geographic markets.

Our Community Development group is responsible for marketing our solutions to the global buyer community through online advertisements and promotions, trade show exhibitions and direct mail campaigns. Teams of analysts within this group research buyer and supplier use of our online and print media and track buyer and supplier trends in the global markets.

#### Content development

Our Content Development group is responsible for compiling, editing, integrating and processing the content that appears in our online services, print media and CD-ROMs. Within Content Development, the Ad Operations and Editorial groups compile materials from client suppliers and freelance writers, respectively, and transform these materials into the advertising and editorial content in our online and print media. Research teams analyze customer content usage to direct content development and work with sales representatives and marketing staff to develop appropriate content for new vertical communities. Our Site Team is responsible for evaluating and integrating content into our online services, as well as maintaining the overall integrity of such services. In addition, members of the Content Development group manage the pre-press production work and print production processes associated with the creation of our trade magazines and maintain the back-end supplier database, which is the foundation for our online supplier and product information.

Customer service

We have established customer service centers employing approximately 24 people that handle more than 220,000 customer queries per year. Singapore is our customer service headquarters and Shenzhen, China is our Chinese language support center.

-18-

Strategic relationships

We have formed license-based partnerships with third parties to operate regional online marketing services such as South African Sources, Turkish Sources and Indonesian Sources. These enable suppliers within the relevant geographic regions to promote their products and services to buyers located primarily outside of such regions.

We own 60.1% of a joint venture with CMP Media Inc. through United Business Media B.V., a subsidiary of United News & Media plc. We entered into the joint venture in September 2000, to provide new technology content, media and e-commerce services for the Asian electronics market, focusing on new opportunities in the Greater China market. During 2001, we increased the frequency of the joint ventures' publications.

In November 2001, we formed a strategic alliance with the WorldWide Retail Exchange (WWRE), to offer a supplier sourcing program for WWRE members and Asian suppliers.

Technology and systems

We use a combination of commercial software and internally developed systems to operate our websites and services. We have invested more than \$30.3 million from 1995 to 2002 in online services development. Currently, we have 141 full-time employees and team members engaged in technology development, maintenance, software customization and data center operations.

Our online marketplace services are run on the Oracle DBMS release 8. The catalog application that supports Global Sources Online's core functions uses a Java Application Platform.

Our servers are hosted by Singapore Telecom. We have a dedicated 10Mbps link to SingTel's IX backbone, while Singapore Telecom maintains a 777 Mbps link to the United States and direct links to most countries in Asia. We use Storage Tech Enterprise tape back-up systems as well as servers located at our Singapore facility for back-up. For the year ended December 31, 2002 our external network had approximately 100% uptime.

Our platform applications use standard industry database protocols. We can, therefore, integrate our systems with products from other vendors written in traditional program languages or more innovative systems. Our Internet offerings are based on industry standard Web technologies. We may deploy our Web offerings on any modern Internet browser platform, which means that our Web clients do not need to load the software onto their personal computers.

All of our systems use secure socket layer, known as SSL, to encrypt sensitive communications between browsers and Web servers. SSL enables secure communication by encoding information transmitted over the Internet. We use Extensible Markup Language, referred to in the industry as XML, as an open

communication protocol for information delivery.

#### Competition

For both our online and traditional trade magazine services, potential competition and competitors vary by country and vertical markets served. Across the range of our services, we do not believe that there is a dominant direct competitor.

Online global trade marketplaces are relatively new and still evolving. We may compete with a variety of organizations that have announced their intention to launch, or have already launched, solutions that compete to some degree with ours. These businesses include consortium exchanges, government trade promotion bodies, domestic retail marketplaces, international trade marketplaces, global standards organizations, transaction software and services providers, auction and reverse auction service providers and distributor, sell-side marketplaces. We may be at a competitive disadvantage to companies that have greater financial resources, more ad-

-19-

vanced technology or that offer lower cost solutions than ours. In addition, some buyers and suppliers may have developed in-house solutions for the online sourcing and marketing of goods and may be unwilling to use ours.

#### Intellectual property

Our primary product and supplier content, in addition to our in-house produced editorial content, is held under common law copyright. We actively protect this intellectual property by several means, including the use of digital watermark technology on the images on our website, which enables us to identify unauthorized use on other websites.

We have also developed several proprietary technology applications. In the future we may apply for patents for these technology applications, where appropriate. However, we may not be successful in obtaining the patents for which we applied. Even if we are issued a patent, it is possible that others may be able to challenge such a patent or that no competitive advantage will be gained from such patent.

Our intellectual property is very important to our business. We rely on a combination of contractual provisions, employee and third-party nondisclosure agreements, and copyright, trademark, service mark, trade secret and patent laws to establish and protect the proprietary rights of our software and services.

We have registered trademarks in China, the European Union, Germany, Hong Kong, Israel, Japan, Malaysia, Mexico, Singapore, South Korea, Taiwan, Thailand and the United States for "Asian Sources" and we have many other registered trademarks and trademarks pending registration in various countries, including trademark registrations for "Global Sources" in Australia, China, Hong Kong, Israel, Mexico, South Korea, Switzerland and Taiwan.

We have in the past, and may in the future, co-develop some of our intellectual property with independent third parties. In these instances, we take all action that we believe is necessary or advisable to protect and to gain ownership of all co-developed intellectual property. However, if such third parties were to introduce similar or competing e-commerce products and services that achieve market acceptance, the success of our e-commerce products and our business,



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financial condition, prospects and operating results may be harmed.

### Government regulation

Our services are, to the best of our knowledge, compliant with government regulations in each country and territory in which we do business. Additionally, we maintain strict internal policies regarding the legality of data that is publicly available on our websites.

### Internet Regulation

There are an increasing number of laws and regulations pertaining to the Internet. In addition, a number of legislative and regulatory proposals are under consideration by federal, state and local and foreign governments and agencies. Laws or regulations may be adopted with respect to the Internet relating to the liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, taxation and the quality of products and services. Moreover, it may take years to determine whether and how existing laws such as those governing issues relating to intellectual property ownership and infringement, privacy, libel, copyright, trademark, trade secret, design rights, taxation and the regulation of, or any unanticipated application or interpretation of existing laws, may decrease the use of the Internet, which could in turn decrease the demand for our services, increase our cost of doing business or otherwise have a material adverse effect on our business, financial condition, prospects and operating results.

-20-

### Regulation of Communications Facilities

To some extent, the rapid growth of the Internet in the United States has been due to the relative lack of government intervention in the marketplace for Internet access. For example, several telecommunications carriers are seeking to have telecommunications over the Internet regulated by the Federal Trade Commission in the same manner as are certain other telecommunications services. Additionally, local telephone carriers have petitioned the Federal Communications Commission to regulate Internet service providers in a manner similar to long distance telephone carriers and to impose access fees on such providers. Some Internet service providers are seeking to have broadband Internet access over cable systems regulated in much the same manner as telephone services, which could slow the deployment of broadband Internet access services. Because of these proceedings or others, new laws or regulations could be enacted, which could burden the companies that provide the infrastructure on which the Internet is based, thereby slowing the rapid expansion of the medium and its availability to new users.

### Legal proceedings

We are a party to litigation from time to time in the ordinary course of our business. We do not expect the outcome of any of this litigation to have a material adverse effect on our business.

### Organizational Structure

We own, directly or indirectly, 100% of the following significant subsidiaries: Trade Media Holdings Limited (Cayman Islands), Trade Media Limited (Cayman Islands), ASM Business Services Limited (Cayman Islands), World Executive's Digest Limited (Cayman Islands), Trade Management Software Limited (Cayman Islands), Lazenby Services Limited (British Virgin Islands), Media Data Systems

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Pte Ltd (Singapore), Publishers Representatives Limited (Hong Kong), Equitable Accounting Services Limited (Hong Kong), Floro Company Limited (Hong Kong), Trade Magazine Productions Limited (Hong Kong), Trade Management Software (HK) Limited (Hong Kong), Pine Grove B.V. (The Netherlands) and Global Sources USA, Inc. (Delaware); and 60.1% of eMedia Asia Ltd. (Barbados).

### Properties

We do not own any of our offices. Generally, we lease our office space under cancelable and non-cancelable arrangements with terms of two to five years. We also service and soon will service our customers through independent sales representative offices located in Australia, Hong Kong, India, Israel, Japan, Malaysia, The Netherlands, the Philippines, Singapore, Taiwan, Thailand, the United Kingdom, the United States and approximately 40 locations in China. We lease in the aggregate approximately 145,313 square feet of executive and administrative offices in China, Hong Kong, the Philippines, Singapore and Taiwan. Our aggregate base rental and building management fees payments in 2002 were approximately \$1.9 million.

### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the "Selected Financial Data" and the accompanying financial statements and the notes to those statements appearing elsewhere in this document. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, particularly under the caption "Risk Factors."

-21-

### Overview

We derive revenue from two principal activities.

Online services -- Our primary service is creating and hosting Marketing Websites that present suppliers' products and company information in a consistent and easily searchable manner on Global Sources Online. We also derive revenue from banner advertising fees. We ratably recognize the fees we receive to display a supplier's advertisement or company data over the contractual term, which is generally six to 12 months.

Other media services -- We publish trade magazines, which consist primarily of product advertisements from suppliers and our independent editorial reports and product surveys. We publish our core trade magazines monthly, and several specialized magazines seasonally. Suppliers pay for advertising in our trade magazines to promote their products and companies. We also derive revenue from buyers that subscribe to our trade publications. We also offer CD-ROM versions of the content on Global Sources Online. We recognize revenue ratably over the period during which the advertisement is displayed, generally not exceeding one year. We also host exhibitions and recognize the revenue for these exhibitions at the conclusion of these events.

Our sales costs consist of the commissions and marketing fees we pay to our independent and related party sales representatives, as well as support fees for processing sales contracts and incentive payments. These representatives sell online services and advertisements in our trade magazines and earn a commission

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as a percentage of the revenue generated.

### Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of this document. We believe the following represent our critical accounting policies:

#### Revenue Recognition

We derive our revenue primarily from advertising fees in our published trade magazines and websites, sale of trade magazines, fees from licensing our trade and service marks, service fees from provision of software maintenance service, and organizing business seminars.

Revenues from advertising in trade magazines and Websites are recognized ratably in the period in which the advertisement is displayed. Advertising contracts do not exceed one year. Revenue from sales of trade magazines is recognized upon delivery of the magazine. Magazine subscriptions received in advance are deferred and recognized as revenue upon delivery of the magazine. Revenue from the provision of maintenance service is deferred and recognized ratably over the maintenance service period. Revenue from hosting business seminars is recognized at the conclusion of the seminar.

The Company receives license fees and royalties from licensing its trade and service marks. Revenue from license fees is recognized ratably over the term of the license, currently four to five years. Royalties from license arrangements are earned ratably in the period in which the advertisement is displayed by the licensee.

The correct measurement of timing and the duration of the contracts with our clients are essential to the recognition of our revenue. Any delays in recognizing the revenue could cause our operating results to vary significantly from period to period. In addition our revenue recognition determines the timing of certain expenses such as commissions and circulation expenses. We believe that we have adequate controls and processes in place to ensure the accuracy of the revenue recording.

-22-

#### Capitalization of development costs of software for internal use

We adopted Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Costs incurred in the preliminary project stage with respect to the development of software for internal use are expensed as incurred; costs incurred during the application development stage are capitalized and are amortized over the estimated useful life of three years upon the commissioning of service of the software. Training and maintenance costs are expensed as incurred.

To account for the development costs related to the products to be sold, leased or otherwise marketed, we adopted SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Development costs incurred subsequent to the establishment of the technological feasibility of the product are capitalized. The capitalization will end when the product is available for general release to customers.

Our policies on capitalized software development costs determine the timing and our recognition of certain development costs. In addition, these policies

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determine whether the costs are capitalized or recorded as expenses.

Estimation of allowance for doubtful debts

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements.

Management estimates the collectibility of our accounts receivable based on the analysis of the accounts receivable, historical bad debts, customer credit-worthiness and current economic trends. We continuously monitor collections from our customers and maintain adequate allowance for doubtful accounts. While credit losses have historically been within our expectations and the allowances we established, if the bad debts significantly exceed our provisions, our operating results and liquidity would be adversely affected.

Impairment of long-lived assets

Property and equipment are amortized over their estimated useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue and can be productively employed.

We periodically review the carrying values of our long-lived assets based on the anticipated gross cash flows and will provide for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The impairment loss is measured based on the difference between the carrying amount of the asset and its fair value.

While we believe our estimation of the useful lives and future cash flows are reasonable, different assumptions regarding such useful lives and cash flows could materially affect our valuations.

Results of operations

The following table sets forth our results of operations as a percentage of total revenue:

	Year Ended December 31,		
	2000	2001	2002
Income statement data:			
Revenue:			
Online services.....	54%	58%	59%
Other media services.....	45	41	40

-23-

	Year Ended December 31,		
	2000	2001	2002
Miscellaneous.....	1	1	1
Total revenue.....	100	100	100

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Operating expenses:			
Sales.....	33	34	34
Circulation.....	13	12	13
General and administrative.....	35	35	34
Online services development.....	7	9	6
Non-cash compensation.....	64	3	3
Other.....	2	3	4
Total operating expenses.....	154	96	94
Income/(loss) from operations.....	(54)%	4%	6%
Net income/(loss).....	(66)%	1%	5%

The following table represents our revenue by geographical areas as a percentage of total revenue:

	Year Ended December 31,		
	2000	2001	2002
Asia.....	93%	93%	93%
United States.....	5	5	6
Europe.....	1	1	1
Other.....	1	1	0
Total revenue.....	100%	100%	100%

### Fiscal Year 2002 Compared to Fiscal Year 2001

#### Revenue

During the year ended December 31, 2002, our online services revenue declined by \$4.2 million or 8% to \$51.3 million as compared with \$55.5 million during the year ended December 31, 2001. Revenues from our other media services declined by \$3.4 million or 9% to \$35.6 million during the year ended December 31, 2002 as compared with \$39.0 million during the year ended December 31, 2001. Total revenues for the year ended December 31, 2002 were \$87.5 million compared with \$95.3 million for the year ended December 31, 2001, a decline of \$7.8 million or 8%.

Revenues have been affected by the poor global economy, and especially the severe recession in some of the company's traditional markets, Hong Kong and Taiwan, which accounted for 60% of the company's revenues for fiscal year 2000. However, Global Sources has made substantial progress in developing its customer base in China as manufacturing and investment moves into China, which has offset much of the decline in other markets. Revenues from China grew by 10% during fiscal year 2002, making China the Company's largest market and China now accounts for 38% of total revenues.

Our goal is to be the leading creator and facilitator of global merchandize trade. Our key strategies to achieve and maintain this goal are as follows:

Our primary strategy is to expand in China by facilitating two-way trade. As manufacturers in the rest of Asia adapt to the seismic shifts being caused by China's growth, we have anticipated the needs of buyers and suppliers, and have developed the expertise to address them. For example, our online sourcing capabilities provide buyers with unrivalled access to the Chinese export manufacturing powerhouse. We also serve the importing needs of China's high-tech

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manufacturers with several publications and associated Websites, such as our popular Electronic Engineering Times.

-24-

The other strategy is to improve the penetration of our services in all of our markets. This includes increasing the adoption and functionality of our electronic catalog solutions, and expanding our business serving Asia's high-tech manufacturers located outside of China.

The objective is to steadily increase the usage of our print and online solutions by bringing together a critical mass of buyers and suppliers. By doing this, we believe our services will inherently create value for those users. Then, each new buyer increases the value to suppliers, and likewise, each new supplier gives buyers more choices. Thus, as our community grows, so does our leadership position.

Operating expenses

Sales

The Company utilizes sales representatives in various territories to promote the Company's products and services. Under these arrangements, the sales representatives are entitled to commissions as well as marketing fees. Commissions expense is recorded when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier, and is included in sales expenses.

The sales representatives, which are mainly corporate entities, handle collections from clients on behalf of the Company. Included in receivables from sales representatives are amounts collected on behalf of the Company as well as cash advances made to the sales representatives. As of December 31, 2001, the board of directors of eight of these sales representative companies included a director nominated by the Company to monitor the receivables collected from our clients by these related party sales representatives, and to monitor any changes to the authorized signatories of the depository bank accounts. The nominated directors were employees of the Company. The Company and the nominated directors did not have any interest in the share capital of the sales representatives companies. However, as of December 31, 2002, we do not have any nominated directors on the board of directors of any of our sales representative companies.

Sales costs consist of the commissions and marketing fees paid and incentives provided to our independent sales representatives and sales support costs. Sales costs declined from \$32.0 million during the year ended December 31, 2001 to \$29.6 million during the year ended December 31, 2002, a decline of 8% due mainly to a decline in revenue.

Circulation

Circulation costs consist of the costs relating to our trade magazine publishing business, specifically printing, paper, bulk circulation, subscription promotions and customer services costs.

Circulation costs declined slightly from \$11.8 million during the year ended December 31, 2001 to \$11.6 million during the year ended December 31, 2002, a decline of 2% due to a decline in printing costs and paper consumption.

General and Administrative

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General and administrative costs consist mainly of corporate staff compensation, information and technology support services, content management services, marketing costs, office rental, depreciation, communication and travel costs.

General and administrative costs declined from \$33.7 million during the year ended December 31, 2001 to \$29.8 million during the year ended December 31, 2002, a decline of 12% due to our cost reduction measures that resulted in a decline in marketing expenses, information technology support costs, telecommunications costs and payroll costs, and a decline in content management services costs in the first half of 2002.

-25-

### Development Costs

Development costs consist mainly of payroll, office rental and depreciation costs relating to the enhancements of Global Sources Online.

Development costs to fund the expansion of our online services declined from \$8.4 million during the year ended December 31, 2001 to \$5.4 million during the year ended December 31, 2002, a decline of 36%. This decline resulted from reductions in fees paid to consultants and capitalization of expenses related to the internal development of new software and software tools.

### Non-Cash Compensation Expenses

The Company has issued share awards under several equity compensation plans ("ECP") to both employees and team members. The total non-cash compensation expense, resulting from the ECP, recorded by the company during the years ended December 31, 2002 and 2001 was \$2.6 million and \$2.5 million, respectively. The corresponding amounts for the non-cash compensation expenses are credited to Shareholders' equity.

### Other Non-Cash Expenses

Other non-cash expenses consist of amortization of software development costs and amortization of intangibles.

Other non-cash expenses during the year ended December 31, 2002 were \$3.7 million, consisting mainly of amortization of software development costs, compared to \$3.5 million for the year ended December 31, 2001, consisting of \$3.1 million for amortization of software development costs and \$0.4 million for amortization of intangibles.

### Income from Operations

Income from operations for online services grew to \$6.3 million during the year ended December 31, 2002 from \$6.0 million during the year ended December 31, 2001, an increase of 5%. The improvement resulted mainly from declines in sales costs, general administration costs and online development costs compared to last year, offset partially by the decline in online services revenue. The total income from operations during the year ended December 31, 2002 was \$4.8 million compared to \$3.4 million during the year 2001. The improvement was mainly due to declines in sales costs, general administration costs and online development costs compared to last year, offset partially by the decline in total revenue.

### Income Taxes

The company and certain of its subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Certain of the Company's subsidiaries operate in Hong Kong and Singapore and are subject to

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income taxes in their respective jurisdictions. Also, the Company is subject to withholding taxes for revenues earned in certain other countries.

We reported a tax provision of \$0.7 million during the year ended December 31, 2002 and \$1.1 million during the year ended December 31, 2001.

### Net Income

Net income was \$4.3 million during the year ended December 31, 2002, compared to a net income of \$0.8 million during the year ended December 31, 2001. The improvement was mainly due to declines in sales costs, general administration costs, online development costs and exchange loss compared to last year, and the \$1.2 million write-down of investments recorded in year 2001, offset partially by a decline in revenue.

-26-

### Fiscal Year 2001 Compared to Fiscal Year 2000

#### Revenue

During the year ended December 31, 2001, our online services revenues increased despite the effects of the slow down in the US economy by \$0.4 million or 1% to \$55.5 million as compared with \$55.1 million in last year, as a result of our increased sales efforts and the continuing acceptance by our clients of Global Sources Online services as a way of conducting export trade. Revenues in our other media services declined by \$7.7 million or 16% to \$39.0 million during the year ended December 31, 2001 as compared with \$46.7 million during the year ended December 31, 2000, as a result of our on-going emphasis on online services. Total revenues for the year ended December 31, 2001 were \$95.3 million compared with \$103.1 million for the year ended December 31, 2000, a decline of \$7.8 million or 8% mainly due to the effect of the slow down in the global economy.

#### Operating expenses

##### Sales

Sales costs consist of the commissions paid and incentives provided to our sales representatives and sales support costs. Sales costs declined from \$34.4 million during the year ended December 31, 2000 to \$32.0 million during the year ended December 31, 2001, a decline of 7% due mainly to lower sales commissions as a result of the decline in revenue.

##### Circulation

Circulation costs consist of the costs relating to our trade magazine publishing business, specifically printing, paper, bulk circulation, subscription promotions and customer services costs.

Circulation costs declined from \$13.3 million during the year ended December 31, 2000 to \$11.8 million during the year ended December 31, 2001, a decline of 11% due mainly to reductions in subscription promotions costs, printing costs, paper costs and magazine mailing costs.

##### General and Administrative

General and administrative costs consist mainly of corporate staff compensation, information and technology support services, content management services, marketing costs, office rental, depreciation, communication and travel costs. General and administrative costs declined from \$36.2 million during the year



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ended December 31, 2000 to \$33.7 million during the year ended December 31, 2001, a decline of 7% mainly due to reduction in content management services costs, marketing expenses, travel costs and fees paid for professional services.

### Development Costs

Development costs consist mainly of payroll costs, and office rental and depreciation relating to the enhancement of Global Sources Online, Private Buyer Catalogs and Private Supplier Catalogs. Development costs to fund the expansion of our online services increased from \$6.7 million during the year ended December 31, 2000 to \$8.4 million during the year ended December 31, 2001, an increase of 25%. This increase resulted from our continuing efforts to enhance our online services.

### Non-Cash Compensation Expenses

The Company has issued share awards under a variety of equity compensation plans to both employees and team members. The total non-cash compensation expense, resulting from the ECP plans recorded by the com-

-27-

pany during the year ended December 31, 2001, was \$2.5 million. The total non-cash compensation expenses, resulting from the ECP plans and the transfer of shares from the parent company to the chairman and chief executive officer of the Company, recorded by the Company during the year ended December 31, 2000, was \$65.7 million.

### Other Non-Cash Expenses

Other non-cash expenses consist of amortization of intangibles, software development costs and, for the year ended December 31, 2000, include the listing expenses incurred in connection with our share exchange.

Other non-cash expenses during the year ended December 31, 2001 were \$3.5 million consisting of \$3.1 million amortization of software development cost and \$0.4 million for amortization of intangibles compared to \$2.4 million for the year ended December 31, 2000 consisting of \$1.4 million for listing expenses, \$0.6 million for amortization of software development costs and \$0.4 million for amortization of intangibles.

### Income from Operations

Income from operations for online services grew to \$6.0 million during the year ended December 31, 2001 from a loss of \$24.6 million during the year ended December 31, 2000, an improvement of 76%. The improvement is mainly attributable to the reduction in non-cash compensation expenses, sales costs and general and administrative expenses compared to year 2000, offset partially by an increase in online services development costs. The total income from operations during the year ended December 31, 2001 was \$3.4 million compared to a loss of \$55.6 million during the year ended December 31, 2000. The improvement was mainly due to reductions in non-cash compensation expenses, sales costs, circulation expenses and general and administrative expenses, offset partially by reductions in total revenue, increases in online services development costs and amortization of software development cost.

### Write-down of Investment

During the year ended December 31, 2000 we invested \$11.0 million in equity instruments of two privately held unaffiliated electronic commerce companies and provided an unsecured cash advance of \$2.0 million to one of these companies,

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with an option to convert this unsecured advance into equity shares. These two investments were accounted for under cost method since the ownership was less than 20% and we do not have the ability to exercise significant influence over the investees. We recorded these investments under long term investments in the consolidated balance sheets.

It is our policy to review regularly the carrying values of the non-quoted investments and to identify and provide for impairment when circumstances indicate impairment other than temporary decline in the carrying values of such assets.

During the fourth quarter of year 2000, based on the then available financial positions of the investee companies, we wrote down 100% of one of the investments that includes the loan. Subsequently, during the year ended December 31, 2001, this company went into liquidation. We estimated the value of the second investment at \$1.2 million based on the financial position and the business model of the investee and we recorded an \$8.8 million impairment loss during the fourth quarter ended December 31, 2000.

During the year ended December 31, 2001, the above investee company raised additional capital, which was fully subscribed. Based on the new pricing per share for the new offering, we estimated the impairment loss to be at \$1.1 million and wrote down the investment to \$0.1 million in year ended December 31, 2001.

-28-

### Income Taxes

The company and certain of its subsidiaries operate in the Cayman Islands and other jurisdictions where no taxes are imposed on certain categories of company revenues. Certain of the Company's subsidiaries operate in Hong Kong and Singapore and are subject to income taxes in their respective jurisdictions. Also, the Company is subject to withholding taxes for revenues earned in certain other countries.

We reported a tax provision of \$1.1 million during the year ended December 31, 2001 compared to \$1.3 million during the year ended December 31, 2000.

### Net Income

Net income was \$0.8 million during the year ended December 31, 2001, compared to a net loss of \$68.2 million during the year ended December 31, 2000. The improvement was due mainly to reductions in non-cash compensation expenses, and write-downs of investments, sales costs, circulation expenses and general and administrative expenses, offset partially by a reduction in revenue, an increase in online services development costs and amortization of software development costs.

### Liquidity and Capital Resources

We financed our year 2002 activities using cash generated from our operations.

Net cash generated from operating activities was \$20.7 million during the year ended December 31, 2002 compared to \$15.5 million cash generated from operating activities during the year ended December 31, 2001. The primary source of cash from operating activities was collections from our customers received through our independent and related party sales representatives.

Net cash used for investing activities was \$3.7 million during the year 2002, which was used principally for capital expenditures for computers, software,

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internal software development and renovations of leasehold properties. Net cash used for investing activities during 2001 was \$4.1 million, which was used principally for capital expenditure for computers, software and furniture and fixtures.

Net cash generated from financing activities was \$0.05 million during the year 2002, which represents the amount received from directors for the shares subscribed by them in the director's stock option plan. Net cash used for financing activities was \$3.8 million in year 2001, which resulted from the repayment of the short-term loan, offset partially by the amount received from a director for the shares subscribed by him in the directors stock option plan.

We have an existing credit facility with Bank of Bermuda (Isle of Man) Limited, which may be drawn in tranches of a minimum of US \$1.0 million. The lender may request that we secure our borrowings under the credit facility. The credit facility bears interest, payable quarterly in arrears, at the London Inter-Bank Market Rate plus 0.5%. The credit facility can be used for investments, working capital and general corporate purposes. Our principal shareholder, Hung Lay Si Co. Ltd., has guaranteed all of the obligations under the credit facility. On March 20, 2002, the credit facility was renewed for \$10.0 million, for one year subject to the same terms and conditions as applicable to the original facility. We did not draw on that credit facility during the year, and we have no bank debt as at December 31, 2002. On March 7, 2003, the credit facility was renewed for \$10.0 million for a further one year period subject to same terms and conditions as applicable to the original facility.

We also hold a Documentary Credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to our suppliers. This facility has a maximum limit of \$0.8 million. One of our

-29-

fellow subsidiaries has guaranteed our obligations under the credit facility. As at December 31, 2002, the unutilized amount under this facility was approximately \$0.7 million.

We continuously monitor collections from our customers and maintain adequate allowance for doubtful accounts. While credit losses have historically been within our expectations and the allowances established, if the bad debts significantly exceed our provisions, additional allowances may be required.

Advance payments received from customers were \$18.3 million as of December 31, 2002, compared to \$17.1 million as at December 31, 2001, improving our liquidity. We believe that cash and cash equivalents at December 31, 2002 and cash forecasted to be generated from future operations will be sufficient to meet our working capital needs and capital expenditures anticipated by our 2003 operating plan. Based on this plan, we anticipate to be cash flow positive and our cash and cash equivalents to increase during 2003. We can also draw from the credit facility mentioned above as and when required.

There were no material commitments for capital expenditures as of December 31, 2002 and as of March 31, 2003.

The estimated future minimum lease rental payments for office facilities under non-cancelable operating leases as of December 31, 2002 were as follows:

Year Ending December 31, -----	Operating Leases -----
2003	\$ 394
2004	337
2005 onwards	--

-----  
 \$ 731  
 =====

#### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statements of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138. This statement, as amended, was effective January 1, 2001, and established accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. The adoption of SFAS No. 133, as amended, did not impact the Company's financial position or results of operations.

In June, 2001, FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS No. 142 apply immediately to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS No. 142 effective January 1, 2002. As goodwill was fully amortized and no acquisitions occurred during 2001, management believes that the adoption of these standards did not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The purpose of this statement is to develop consistent accounting for asset retirement obligations and related costs in the financial statements and provides more in-

-30-

formation about future cash outflows, leverage and liquidity regarding retirement obligations and the gross investment in long-lived assets. We adopted SFAS No. 143 effective January 1, 2003 and believe that the adoption of this standard did not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

In August 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets, superseding SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The statement also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for segments of a business to be disposed. The Company adopted this statement effective January 1, 2002 and believes that the adoption of this standard did not have a material impact on the Company's financial statement of position, results of operations, or cash flows.

In April 2002, FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The

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provisions of this Statement relating to the rescission of Statement 4 will be effective for fiscal years beginning after May 15, 2002. The provisions in paragraphs 8 and 9(c) of this Statement relating to Statement 13 are effective for transactions occurring after May 15, 2002. All other provisions of this Statement are effective for financial statements issued on or after May 15, 2002. We believe that the adoption of this standard does not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which requires additional disclosures in interim and annual financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002.

### Qualitative and quantitative disclosures about market risk

We operate internationally and foreign exchange rate fluctuations may have a material impact on our results of operations. Historically, currency fluctuations have been minimal on a year to year basis in the currencies of the countries where we have operations. As a result, foreign exchange gains or losses in revenues and accounts receivable have been offset by corresponding foreign exchange losses or gains arising from expenses. However, during the Asian economic crisis of 1997 to 1998, both advertising sales and the value of Asian currencies declined, which caused a significant decline in revenues that was not fully offset by lower expense levels in Asian operations.

This decline in revenues occurred due to contracts being denominated and priced in foreign currencies prior to devaluations in Asian currencies. The conversion of these contract proceeds to U.S. dollars resulted in losses and reflects the foreign exchange risk assumed by us between contract signing and the conversion of cash into U.S. dollars. We believe this risk is mitigated because historically a majority (ranging between 55% to 60%) of our revenues are denominated in U.S. dollars or are received in the Hong Kong currency which is currently pegged to the U.S. dollar. Correspondingly, a majority (approximately 85%) of our expenses are denominated in Asian currencies. To the extent significant currency fluctuations occur in the New Taiwan dollar, the Chinese Renminbi or other Asian currencies, or if the Hong Kong dollar is no longer pegged to the U.S. dollar, our revenues and expenses may fluctuate in tandem thus reducing the net impact on our profits.

In the years ended December 31, 2001 and 2002, we have not engaged in foreign currency hedging activities.

During the years ended December 31, 2001 and 2002, the Company derived more than 90% of its revenue from customers in the Asia-Pacific region. The Company expects that a majority of its future revenue will continue

-31-

to be generated from customers in this region. Future political or economic instability in the Asia-Pacific region could negatively impact the business.

### ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

#### Directors and Senior Management

The following table sets forth information regarding the persons who are our executive officers and directors.

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Name	Age	Position
Merle A. Hinrichs.....	61	Director, Chairman and Chief Executive Officer
Eddie Heng Teng Hua.....	52	Director and Chief Financial Officer
J. Craig Pepples.....	42	Chief Operating Officer
Bill Georgiou.....	58	Chief Information Officer
Sarah Benecke.....	46	Director
David F. Jones.....	38	Director
Jeffrey J. Steiner.....	66	Director
Roderick Chalmers.....	55	Director
Dr. H. Lynn Hazlett.....	66	Director

Mr. Hinrichs has been a Director of the Company since April 2000 and is currently its Chairman and Chief Executive Officer. A co-founder of the business, he was the principal executive officer of Trade Media Holdings Limited a Cayman Islands corporation wholly-owned by the Company ("Trade Media") from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrichs was chairman of the ASM Group, which included Trade Media. Mr. Hinrichs is a director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrichs graduated from the University of Nebraska and Thunderbird, the American Graduate School of International Management ("Thunderbird"). Mr. Hinrichs is a co-founder and former chairman of the Society of Hong Kong Publishers. He is a member of the board of trustees of Thunderbird and is a board member of the Economic Strategy Institute. His term as director expires in 2003.

Mr. Steiner has been a Director of the Company since November 1999. Mr. Steiner also has been a director of The Fairchild Corporation ("Fairchild") since 1985. He has been the chairman of the board and chief executive officer of Fairchild since December 1985 to the present. Mr. Steiner was president of Fairchild from July 1991 to September 1998. He is director of Franklin Holding Corp. His term as director expires in 2003.

Mr. Chalmers has been a Director of the Company since October 2000. He was chairman, Asia-Pacific, of PricewaterhouseCoopers ("PwC") and a member of PwC's Global Management Board from 1998 until his retirement in July 2000. He was a 30-year veteran with PwC merger partner Coopers & Lybrand with specialist experience in the securities industry. He has at various times been a non-executive director of the Hong Kong Securities and Futures Commission, a member of the Takeovers and Mergers Panel, and chairman of the Working Group on Financial Disclosure. He is a director of Gasan Group Limited (Malta). His term as director expires in 2003.

Mr. Heng has been the Chief Financial Officer (previously entitled vice president of finance) since 1994 and has been a director of the Company since April 2000. He joined the Company in August 1993 as deputy to the vice president of finance. He received an MBA from Shiller International University in London in 1993, is a CPA, a member of the Institute of Certified Public Accountants, Singapore, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Prior to joining us, he was the regional financial controller of Hitachi Data Systems, a joint venture between Hitachi and General Motors. His term as director expires in 2004.

-32-

Ms. Benecke has been a Director of the Company since April 2000, and, since 1993, has been a director of Trade Media. Ms. Benecke was the Company's principal executive officer from January 1994 through August 1999. She joined the Company in May 1980 and served in numerous positions, including publisher from 1988 to December 1992 and chief operating officer in 1993. She graduated with a B.A. from the University of New South Wales, Australia. Her term as director expires in 2004.

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Mr. Jones has been a Director of the Company since April 2000. Mr. Jones was an executive at MacQuarie Direct Investment, a venture capital firm in Sydney, Australia from 1994 to August 1999. He founded and ran UBS Capital in Australia from July 1999 to September 2002. He is currently a director of the following companies: Castle Harlan Australian Mezzanine Partners Pty. Limited, an Australian buyout firm; Otowa Pty Ltd.; Sheridan Australia Pty Ltd.; Penrice Soda Products Pty Ltd.; Miller's Retail Ltd., which is one of our customers. Mr. Jones has an MBA from Harvard Business School and is a mechanical engineering graduate from the University of Melbourne. His term as director expires in 2005.

Dr. H. Lynn Hazlett has been one of our directors since October 2000. He was a former chief executive officer and president of QRS Corporation, a leading US-based provider of supply chain management solutions to the retail industry, until his retirement in 2000. He previously managed Supply Chain Associates, an international consulting firm until 1997. Prior to that he was corporate vice president at VF Corporation, the US apparel company, from 1989 to 1994. Dr. Hazlett has a doctorate in Economics and Automated Systems from George Washington University. His term as director expires in 2005.

Mr. Pepples has been our Chief Operating Officer since June 1999 and is responsible for our worldwide operations, including interactive media, corporate marketing, community development, information services, human resources and finance. Mr. Pepples joined Trade Media in October 1986 in an editorial capacity, managed Trade Media's sales in China from 1989 to 1992, and served as country manager for China from 1992 to June 1999. Mr. Pepples graduated with a B.A. in Linguistics from Yale University.

Mr. Georgiou was appointed our Chief Information Officer (previously Chief Technology Officer) in January 2001. Mr. Georgiou has had over 20 years' experience in information technology, most recently as a consultant with 3Com Technologies during 2000 and as IT Director with Park N'Shop (HK) Ltd., a subsidiary company of A.S. Watson, from 1999 to 2000. He received his B.Ec. (Honours degree) and M.B.A. from the University of Adelaide.

### Compensation

For the year ended December 31, 2002, we and our subsidiaries provided our nine directors and executive officers as a group aggregate remuneration, pension contributions, allowances and other benefits of approximately \$2,151,681 including the non-cash compensation of \$259,809 associated with the share award and ECP plans. Of that amount, \$195,000 was paid under a performance based, long-term discretionary bonus plan which we implemented in 1989 for members of our senior management. Under the plan, members of senior management may, at our discretion, receive a long-term discretionary bonus payment. The awards, which are payable in either five or ten years time, are paid to a member of senior management if his or her performance is satisfactory to us. There are six current members of senior management and three former members of senior management who may receive payments on maturity.

In 2002, we and our subsidiaries incurred \$27,125 in costs to provide pension, retirement or similar benefits to our respective officers and directors pursuant to our retirement plan and pension plan.

### Employment Agreements

We have employment agreements with Merle A. Hinrichs under which he serves as our chairman and chief executive officer and as one of our subsidiaries' president. The agreements contain covenants restricting

Mr. Hinrichs' ability to compete with us during his term of employment and preventing him from disclosing any confidential information during the term of his employment agreement and for a period of three years after the termination of his employment agreement. In addition, we retain the rights to all trademarks and copyrights acquired and any inventions or discoveries made or discovered by Mr. Hinrichs in the course of his employment. Upon a change of control, if Mr. Hinrichs is placed in a position of lesser stature than that of a senior executive officer, a significant change in the nature or scope of his duties is effected, Mr. Hinrichs ceases to be a member of the board or there is a breach of those sections of his employment agreements relating to compensation, reimbursement, title and duties or termination, each of us and such subsidiary shall pay Mr. Hinrichs a lump sum cash payment equal to five times the sum of his base salary prior to the change of control and the bonus paid to him in the year preceding the change of control. The agreements may be terminated by either party by giving six months notice.

We have employment agreements with each of our executive officers. Each employment agreement contains a non-competition provision, preventing the employee from undertaking or becoming involved in any business activity or venture during the term of employment without notice to us and our approval. The employee must keep all of our proprietary and private information confidential during the term of employment and for a period of three years after the termination of the agreement. We can assign the employee to work for another company if the employee's duties remain similar. In addition, we retain the rights to all trademarks and copyrights acquired and any inventions or discoveries made or discovered by the employee during the employee's term of employment. Each employment agreement contains a six month's notice provision for termination, and does not have a set term of employment. Bonus provisions are determined on an individual basis.

#### Board Practices

Our board of directors consists of seven members divided into three classes, the terms of which expire at the general meeting of shareholders to be held in each year indicated above. Each director will hold office until his or her term expires and his or her successor has been elected and qualified. Beginning in 2000, at each general meeting of shareholders, directors nominated to a class with a term that expires in that year will be elected for a three-year term. Executive officers serve at the discretion of the board of directors. Officers are elected at the annual meeting of the directors held immediately after the annual general meeting of shareholders. Our executive officers have, on average, 15 years of service with us.

#### Committees of the board of directors

We have established an audit committee and an executive committee. The audit committee recommends the appointment of auditors, oversees accounting and audit functions and other key financial matters of our company. David Jones, Roderick Chalmers and Lynn Hazlett are the members of the audit committee and the board of directors determined that Mr. Chalmers is an audit committee financial expert as defined under appropriate SEC guidelines. The executive committee acts for the entire board of directors between board meetings. Merle Hinrichs and Eddie Heng are the members of the executive committee.

#### Code of Ethics

We have adopted a Code of Ethics & Business Responsibilities ("Code of Ethics") that applies to our chief executive officer, chief financial officer, chief accounting officer or controller and persons performing similar functions. Any amendments or waivers to our Code of Ethics that apply to the chief executive officer or senior financial officers will be promptly disclosed on our website



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as required by law or by the Securities and Exchange Commission or by Nasdaq.

-34-

### Employees

As of December 31, 2002, we had 462 employees worldwide, the majority of whom work in management, technical or administrative positions. We consider our employee relationships to be satisfactory. Our employees are not represented by labor unions and we are not aware of any attempts to organize our employees.

The following summarizes the approximate number of employees and independent contractors by function:

Function	Employees	Independent Contractors
	-----	-----
Content Development.....	46	177
Corporate Human Resources & Administration.....	38	30
Corporate Marketing.....	8	33
Community Development.....	71	32
Sales.....	45	844
Publishing.....	56	79
Electronic Commerce Services.....	25	0
Information System Department.....	92	49
Corporate Accounts.....	63	53
New Markets.....	0	25
Office of the CEO, COO.....	8	1
Legal and Group Secretarial.....	5	4
Conference & Exhibition Services.....	5	11
	-----	-----
Total.....	462	1,338
	=====	=====

### Share Ownership

Information on the ownership of our Common Shares is given on page 40 under item 7, Major Shareholders and Related Party Transactions.

### Equity compensation plans

We established The Global Sources Employee Equity Compensation (the "Trust") on December 30, 1999. The Trust is administered by Harrington Trust Limited, as trustee. The purpose of the Trust is to administer monies and other assets contributed to the trustee for the establishment of equity compensation and other benefit plans, including the equity compensation plans described below. The number of shares that may be sold pursuant to these plans is limited to the number of our shares held by the Trust. Following our takeover of Trade Media on April 14, 2000, the Trade Media shares were exchanged for our common shares. These Trade Media shares currently represent our common shares. As of December 31, 2002, the Trust holds 2,177,577 of our common shares. The Trust does not intend to acquire any additional shares. In exercising its powers, including the voting of securities held in the Trust, the trustee may be directed by a plan committee, selected by the board of directors of one of our wholly owned subsidiaries.

Global Sources Equity Compensation Plans Numbers I, II and III

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In March 2000, we adopted the Global Sources Equity Compensation Plans (ECP) Numbers I, II and III. Employees, directors, consultants, advisors and independent contractors of ours, our subsidiaries or affiliates are eligible to receive option grants under ECP I. Employees and directors of ours, our subsidiaries or affiliates are eligible to receive grants under ECP II and III. Options granted under ECP I and II will be exercisable, and coupons granted under ECP III will be redeemable, for our shares held by the trust.

-35-

ECPs I, II and III are administered by the trustee subject to the directions of the plan committee of one of our wholly-owned subsidiaries. The plan committee determines who will receive, and the terms of, the options under ECP I and II. The exercise price of these options may be below the fair market value of our shares. Under ECP I, payment for shares being purchased upon exercise of an option may be made in the manner determined by us at the time of grant. Under ECP II optionees may pay for common shares purchased upon exercise of options by check to the trust. Under ECP II, the number of common shares that optionees may purchase is based on the number of years they have been employed by, or have been working with us, our subsidiaries or affiliates.

Under ECP III, outstanding coupons are redeemable for a defined amount of compensation payable in our common shares, which will be transferred from the trust to the coupon holders. The number of shares will be determined by dividing the amount of compensation awarded by an amount determined by the plan committee. Under each of ECPs I and III, the maximum number of shares that may be issued to any individual in any calendar year may not exceed 25% of the total shares available under such plan.

On each of the first three annual anniversaries of the listing of our common shares on a securities exchange, including NASDAQ, the trustee will release one-third of the common shares purchased by an optionee, under ECP II, and one-third of the shares granted to each coupon holder, under ECP III, if such optionee or holder, as the case may be, is still employed with us on these dates. Under ECP II, the consideration paid for any common shares purchased by an optionee fired for cause or who becomes an employee of one of our competitors, but not yet released by the trustee, will be returned to the optionee by the trust and the right to receive these shares will be forfeited and revert back to the trustee. Under ECP III, common shares allotted by, but not yet released by the trustee, to an employee who is subsequently fired for cause or who becomes an employee of one of our competitors, are forfeited and revert back to the trustee for future use. Options are not transferable under ECPs I and II and coupons are not transferable under ECP III.

Under ECPs I and II, all options held by an optionee terminate on the date of that optionee's termination for cause or resignation. Death, disability or retirement does not affect an optionee's right to exercise an option.

All outstanding options are adjusted to preserve the optionee's benefits under ECPs I and II and all outstanding common shares are adjusted to preserve the interests of the holders of these common shares under ECP III if there is a change in the number of our outstanding common shares or an exchange for securities of a successor entity as a result of our: (i) reorganization; (ii) recapitalization; (iii) stock dividend; or (iv) stock split.

If a person or group of persons acting together becomes the beneficial owner of at least 50% of our issued and outstanding common shares, by tender offer or otherwise, all unexercised options under ECPs I and II become immediately exercisable and all optionees will be entitled to sell to the trustee all unexercised options at a price equal to the greater of fair market value or the

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tender offer price.

If ECPs I, II and III terminate, all optionees will be entitled to sell to the trustee all unexercised options at a price equal to the difference between the fair market value of the common shares and the aggregate exercise price of the options under ECPs I and II and securities and any cash held by the trustee shall be distributed in equal shares to people who received coupons under ECP III, upon our: (i) dissolution or liquidation; (ii) reorganization, merger or consolidation; or (iii) sale of our business. If none of these events occurs, ECPs I, II and III terminate in February 2010.

The non-cash compensation expense associated with the awards under ECP II and ECP III of approximately \$2,948,000 and \$2,357,000, respectively, are recognized ratably over the three year vesting term from the respective award dates.

-36-

### Global Sources Equity Compensation Plans Numbers IV and V

Eligible employees, directors, consultants, advisors and independent contractors under ECP IV are awarded a defined amount of compensation payable in Global Sources Ltd. common shares the number of which are determined by the plan committee periodically.

Entitlement of the employees, directors, consultants, advisors and independent contractors to these common shares is subject to employment and vesting terms.

Eligible employees, directors, consultants, advisors and independent contractors under ECP V were awarded a one-time grant of shares the number of which were determined by the plan committee.

Entitlement of the employees, directors, consultants, advisors and independent contractors to these common shares is subject to employment and vesting terms.

The Equity Compensation Plan committee approved the awards of common shares under ECP IV and ECP V on January 23, 2001. The Equity Compensation Plan Committee approved additional awards of common shares under ECP IV on April 1, 2001 and July 1, 2001 and under ECP V in January 2002.

The non-cash compensation expenses associated with the above awards under ECP IV and ECP V of approximately \$3,086,000 and \$1,940,000, respectively, are recognized over the five year vesting term from the respective award dates.

### Global Sources Equity Compensation Plan VI

Eligible employees, directors, consultants, advisors and independent contractors under ECP VI are awarded a one-time grant of Global Sources Ltd. common shares the number of which are determined by the plan committee.

Entitlement of the employees, directors, consultants, advisors and independent contractors to these common shares is subject to non-compete and vesting terms.

The Equity Compensation Plan committee approved the ECP VI on March 13, 2001 and made awards of common shares under the plan on various dates during the year 2001 and 2002.

The non-cash compensation expenses associated with the awards in accordance under ECP VI totaling to approximately \$433,000, are recognized over the five year vesting term from the respective award dates.

### Global Sources Equity Compensation Plan VII

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Eligible employees, directors, consultants, advisors and independent contractors under ECP VII are awarded a grant of a defined number of Global Sources Ltd. common shares, the number of which are determined by the plan committee periodically.

Entitlement of the employees, directors, consultants, advisors and independent contractors to these common shares is subject to employment and vesting terms.

The Equity Compensation Plan committee approved the awards of common shares under ECP VII in January 2002. The non-cash compensation expenses associated with the above awards under ECP VII of approximately \$538,000 are recognised over the six years vesting term from the respective award dates.

-37-

### Directors Stock Option Plan

A Non-executive Director Option Plan was approved on October 26, 2000 by the shareholders of the Company. Each eligible director on the date of the first board meeting of each calendar year, commencing in 2001, receives the grant of an option to purchase 20,000 common shares on that date. The options granted are subject to such terms and conditions as determined by the board of directors at the time of the grant.

The option price per share, payable before the end of each February, is 15% less than the average closing price of the shares for the last five trading days of the previous calendar year. The non-executive directors may decline all or part of the award, which is non-transferable.

The board granted the first awards under the above plan in 2001. The award vests over four years with one quarter of the shares vesting each year. Upon resignation of an eligible director, all unvested shares are forfeited and the option price received for the forfeited unvested shares is refunded. Only one director accepted the offer for the 20,000 shares granted under the option on February 10, 2001. On February 28, 2002 and 2003, the Company issued to the director 5,000 and 5,000 of our common shares that vested on those dates respectively. As at December 31, 2002, \$164,350 from the proceeds of this plan was included in additional paid-in capital.

As per the terms of the plan, the board granted options to all eligible directors in February 2002. These awards will vest after four years. Optionees must pay the option price, which is the average closing price of the shares for the last five trading days of year 2001, at the time of exercising the option. The resignation of a director following his or her exercise of the grant of options and payment of the option price shall not cause a forfeiture of the unvested shares. All the eligible non-executive directors accepted the offer before February 28, 2002. We received \$49,896 towards the 15% of the option price which was included in additional paid-in capital.

The board granted options to all eligible directors again in February 2003. These awards will vest after four years. Optionees must pay 10% of the option price, which is the average closing price of the shares for the last five trading days of year 2002, at the time of exercising the option. The remaining 90% must be paid on or before the vesting date. The resignation of a director following his or her exercise of the grant of options and payment of the option price shall not cause a forfeiture of the unvested shares. Three eligible directors accepted the offer before February 28, 2003.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

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### Major Shareholders

The following table sets forth information about those persons who hold more than 5% of our common shares and the share ownership of our directors and officers as a group. The information is based upon our knowledge of the share ownership of such persons on March 27, 2003.

Hung Lay Si Co. Ltd. is a company organized under the laws of the Cayman Islands. It is wholly owned by the Quan Gung 1986 Trust, a trust formed under the laws of the Island of Jersey. The trustee of the trust is Hill Street Trustees Limited, an Island of Jersey limited liability company whose shares are wholly owned by the partners of the Mourant Group, which is a firm based in the Island of Jersey that provides trust administration services. The partners of the Mourant Group are: Richard Jeune, Ian James, Alan Binnington, James Crill, Tim Herbert, Jacqueline Richomme, Elizabeth Breen, Cyman Davies, Alastair Syvret, Nicola Davies, Edward Devenport, Beverley Lacey, Jonathan Speck, Mary Scott, Julia Chapman, Jonathan Walker, Dominic Jones, Rupert Walker, Robert Hickling and Kevin Brennan. Hill Street Trustees Limited is the sole beneficial owner of the Hung Lay Si Co. Ltd. shares under applicable Securities and Exchange Commission regulations.

-38-

The Quan Gung 1986 Trust (through Hung Lay Si Co. Ltd., its wholly owned subsidiary) beneficially owns approximately 61% of our common shares. The Quan Gung 1986 Trust was formed under the laws of the Island of Jersey. Counsel to the trustee has informed us that, by virtue of the terms of the Trust and the laws of the Island of Jersey, the trustee cannot make disclosure of the names of the beneficiaries and settlor of the Trust in breach of the obligations placed on it and in accordance with its duties of confidentiality. Accordingly, you may never know the identity of the beneficiaries or settlor of the Quan Gung 1986 Trust.

Name of Beneficial Owner	Common Shares Beneficially Owned	
	Shares	Percentage
Hung Lay Si Co. Ltd.....	16,035,388	61.0
Merle A. Hinrichs.....	4,008,221	15.2
Harrington Trust Limited.....	2,345,119	8.9
Jeffrey J. Steiner(1).....	318,131	1.2
Eddie Heng Teng Hua.....	*	*
J. Craig Pepples.....	*	*
Bill Georgiou.....	*	*
Sarah Benecke.....	*	*
David F. Jones.....	*	*
Roderick Chalmers.....	*	*
Dr. Lynn Hazlett.....	*	*
All officers and directors as a group (9 persons)....	4,372,784	16.6

\* Indicates beneficial ownership of less than 1%.

(1) Mr. Jeffrey J. Steiner is the sole manager of The Steiner Group LLC, and as such may be deemed to beneficially own the same common shares owned directly or beneficially by The Steiner Group LLC. Mr. Steiner disclaims beneficial ownership of shares owned by The Steiner Group LLC, the Jeffrey Steiner Family Trust and shares owned by him as

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custodian for his children. The Steiner Group LLC is a Delaware limited liability company. The members are Jeffrey J. Steiner (with a 20% membership interest) and The Jeffrey Steiner Family Trust (with an 80% membership interest). The Jeffrey Steiner Family Trust is a trust created for the benefit of the issue of Jeffrey J. Steiner.

At March 31, 2003, we believe that 2,611,855 of our shares, or 9.93%, were beneficially owned by U.S. holders and there were 847 shareholders of record in the U.S.

The Quan Gung 1986 Trust, through Hung Lay Si Co. Ltd., its wholly owned subsidiary, beneficially owns approximately 61% of our common shares and is deemed our controlling shareholder.

Our major shareholders do not have different voting rights. We do not know of any arrangement which may at a subsequent date result in a change in control of our company.

### Related Party Transactions

On December 31, 2002, we had \$11,404,000 in net intercompany obligations due to our controlling shareholder.

These obligations arose from:

- o the transfer of intangibles, including copyrights for magazines, from Hung Lay Si Co. Ltd. to us after our re-incorporation in the Cayman Islands in 1983; and
- o allocations of operating expenses from Hung Lay Si Co. Ltd. and its affiliates to us prior to year 2000.

-39-

Effective January 1, 2000, we executed an unsecured promissory note in the principal amount of \$11,404,000 to establish the repayment terms of these intercompany obligations owed to Hung Lay Si Co. Ltd. On January 1, 2005, we will begin repayment of this promissory note by making quarterly payments of principal and interest over the following ten years. Interest will accrue beginning on January 1, 2005 at the U.S. Federal Funds rate on the following business day and will be adjusted quarterly. For each subsequent interest period, the interest rate will be the U.S. Federal Funds rate on the first business day of the applicable calendar quarter. If we fail to make a timely payment, the interest rate on that payment will be adjusted quarterly to equal 2% over the U.S. Federal Funds rate on the first business day of each calendar quarter that payment and the accrued but unpaid interest are outstanding until that payment is made. The interest that accrues on the unpaid amount will be payable quarterly unless Hung Lay Si Co. Ltd. demands immediate payment. If we fail to make a payment, Hung Lay Si Co. Ltd. may also accelerate the promissory note and demand full payment.

We have extended loans to some of our employees for the sole purpose of financing the purchase or lease of a residence. The loans for the purchase of a residence are secured by that residence, bear interest at a rate of LIBOR plus 2 to 3%, generally have a term of ten years and become due and payable immediately upon the termination of the employee's employment. The loans for the lease of a residence are unsecured, interest free and are repayable in equal monthly installments over the period of the lease, which is typically less than or equal to 12 months. The maximum loan amounts are limited to the lower of the aggregate of two years' gross compensation of the borrower or \$500,000. The loans were made upon terms and subject to conditions that are more favorable to the

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borrowers than those that would customarily be applied by commercial lending institutions in the borrower's country of employment. Since the beginning of 1999, the largest aggregate amount of indebtedness of Mr. Pepples and Ms. Benecke to us, outstanding at any time during such period, was approximately \$40,733 and \$173,055, respectively. Mr. Pepples has repaid his loan in full in November 2002. Ms. Benecke has repaid her loan in full in July 1999. Ms. Benecke's loan was secured and bore interest at a rate of LIBOR plus 2%. Mr. Pepples' loan was interest free and unsecured. Except for the aforementioned loans, there were no other loans due from the Company's Directors and executive officers as at December 31, 2001 and 2002.

We lease approximately 96,780 square feet of our office facilities from affiliated companies under cancelable and non-cancelable operating leases and incur building maintenance services fees to those affiliated companies. We incurred rental and building services expenses of \$1,048,419 during the year ended December 31, 2002. We also receive legal, secretarial and treasury management consultancy services from our affiliate companies. The expenses incurred for these services during the year ended December 31, 2002 was \$275,165.

On March 17, 2000 we entered into a revolving credit facility with Bank of Bermuda (Isle of Man) Limited. The credit facility has a term of one year and provides for borrowings of up to \$25.0 million, with minimum borrowings of \$1.0 million. The lender may request security from time to time to secure borrowings under the credit facility. The credit facility bears interest, payable quarterly in arrears, at the London Inter-Bank Market Rate plus 0.5%. The credit facility may be used for investments, working capital and general corporate purposes. If any payment is not made when due, the interest rate will increase by 2% on the aggregate amount outstanding and will be payable in arrears and, if not paid when due, will be compounded. The loan may not be prepaid prior to the end of any quarter, but if the bank notifies us of its intention to charge a maintenance fee to cover its costs for the facility, we may prepay without penalty the amount outstanding within seven days of the bank's notice. When we entered into the credit facility, we paid the bank an arrangement fee of approximately \$16,000. Hung Lay Si Co. Ltd. has guaranteed all of our obligations under the credit facility. We repaid the loan by December 31, 2001.

On March 20, 2002, the credit facility was renewed for \$10.0 million for one year subject to the same terms and conditions as applicable to the original facility. We did not draw on the credit facility during our fiscal year 2002.

On March 7, 2003 the credit facility has been renewed for \$10.0 million for a further one year period subject to the same terms and conditions as applicable to the original facility.

-40-

We also have a documentary credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to our suppliers. This facility has a maximum limit of \$0.8 million. One of our fellow subsidiaries has guaranteed our obligations under this facility. The largest amount outstanding under this facility during our fiscal year 2002 was \$0.3 million. As at December 31, 2002, the unutilized amount under this facility was approximately \$0.7 million.

We utilize sales representatives in various territories to promote our products and services. Under these arrangements, the sales representatives are entitled to commissions and marketing fees. The sales representatives, which are mainly corporate entities, handle collections from clients on our behalf. At the beginning of year 2002, the board of directors of eight of these sales representative companies each included a director nominated by us. The nominated

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directors were our employees. We and the nominated directors did not have any interest in these eight related party sales representative companies. As of December 31, 2002, we did not have any nominated directors on the board of directors of any of our sales representative companies. We incurred approximately \$9,985,989 of commissions and marketing fees expenses associated with these related party sales representative companies during the year ended December 31, 2002.

We also provided technical services to these related party sales representatives for a fee. During the year ended December 31, 2002, we received such services fees of \$155,836. During the year ended December 31, 2002, we have incurred costs of \$46,639 with respect to the incentive awards to the related party sales representatives.

For further information on these transactions, see notes to our audited consolidated financial statements included elsewhere in this document.

Our management believes these transactions are commercially reasonable in the jurisdictions where we operate and for our employees where they reside or work.

### ITEM 8. FINANCIAL INFORMATION

Consolidated statements and other financial information

#### GLOBAL SOURCES LTD. AND SUBSIDIARIES

#### Index to Consolidated Financial Statements December 31, 2002

	Page
Reports of Independent Public Accountants.....	44-45
Consolidated Balance Sheets.....	46
Consolidated Statements of Income.....	47
Consolidated Statements of Cash Flows.....	48
Consolidated Statement of Shareholders' Equity.....	49
Notes to Consolidated Financial Statements.....	50-71

-41-

### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Global Sources Ltd.

We have audited the accompanying consolidated balance sheet of Global Sources Ltd. (a company incorporated under the laws of Bermuda) and its subsidiaries as of December 31, 2002, and the related consolidated statement of income, shareholders' equity and cash flows for the year ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company as of December 31, 2000 and 2001, were audited by other auditors who have ceased operations and whose report dated February 28, 2002 expressed an unqualified opinion.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial



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statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Sources Ltd. and its subsidiaries as of December 31, 2002, and the results of their operations and cash flows for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ ERNST & YOUNG

Singapore  
March 28, 2003

42

THE FOLLOWING REPORT IS A COPY OF THE INDEPENDENT PUBLIC ACCOUNTANTS' REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN. THE REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Global Sources Ltd.

We have audited the accompanying consolidated balance sheets of Global Sources Ltd. (a company incorporated under the laws of Bermuda) and its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Sources Ltd. and its subsidiaries as of December 31, 2001 and 2000, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ ARTHUR ANDERSEN

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Singapore  
February 28, 2002

-43-

GLOBAL SOURCES LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

	At December 31 ----- 2001 -----
ASSETS	
Current Assets:	
Cash and cash equivalents.....	\$ 20,236
Accounts receivable, net.....	5,710
Receivables from sales representatives.....	709
Receivables from related party sales representatives.....	2,900
Inventory of paper.....	856
Prepaid expenses and other current assets.....	1,122
	-----
Total Current Assets.....	31,533
	-----
Property and equipment, net.....	19,058
Intangible assets, net.....	3
Long term investments.....	100
Bonds held to maturity, at amortized cost.....	1,709
Other assets.....	1,199
	-----
Total Assets.....	\$ 53,602
	-----
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable.....	\$ 3,625
Deferred income and customer prepayments.....	17,122
Accrued liabilities.....	5,127
Income taxes payable.....	164
	-----
Total Current Liabilities.....	26,038
	-----
Liabilities for incentive and bonus plans.....	1,434
Amount due to parent company.....	11,404
Minority interest.....	2,515
Deferred tax liability.....	610
	-----

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Total Liabilities.....	42,001
-----	
Shareholder's equity:	
Ordinary shares, US\$0.01 par value; 50,000,000 shares authorized; 26,308,949 (2001: 26,303,949) shares issued and outstanding.....	263
Additional paid in capital.....	80,196
Retained earnings/(deficit).....	(61,987)
Less: Unearned compensation.....	(6,871)
-----	
Total shareholders' equity.....	11,601
-----	
Total liabilities and shareholders' equity.....	\$ 53,602
-----	

The accompanying notes are an integral part of these financial statements.

-44-

GLOBAL SOURCES LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

	Year Ended December	
	2000	2001
	-----	-----
Revenues:		
Online services.....	\$ 55,121	\$ 55,468
Other media services.....	46,748	39,010
Miscellaneous.....	1,184	807
	-----	-----
	103,053	95,285
	-----	-----
Operating Expenses:		
Sales.....	34,436	32,047
Circulation.....	13,337	11,757
General and administrative.....	36,197	33,726
Online services development.....	6,665	8,393
Non-cash compensation expense (Note a).....	65,689	2,501
Non-cash listing expenses.....	1,353	-
Amortization of intangibles/Software development cost....	1,018	3,476
	-----	-----
Total Operating Expenses.....	158,695	91,900
	-----	-----
Income/(Loss) from Operations.....	(55,642)	3,385
	-----	-----
Interest expense.....	(649)	(172)
Interest income.....	1,135	357
Foreign exchange gains (losses), net.....	50	(470)

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Write-down of investments.....	(11,750)	(1,150)
	-----	-----
Income/(Loss) before Income Taxes.....	(66,856)	1,950
Income Tax Provision.....	(1,277)	(1,143)
	-----	-----
Income/(Loss) before Minority Interest.....	\$ (68,133)	\$ 807
	-----	-----
Equity in (loss)/income of affiliate.....	(51)	51
Minority interest.....	(37)	(83)
	-----	-----
Net Income/(Loss).....	\$ (68,221)	\$ 775
	-----	-----
	-----	-----
Basic and diluted net income/(loss) per share.....	\$ (2.63)	\$ 0.03
	-----	-----
	-----	-----
Shares used in basic and diluted net income /(loss) per share calculations (Note 14).....	25,948,028	26,303,949
	-----	-----
	-----	-----

Note: a. Reflects the non-cash compensation expenses associated with the transfer of shares from the parent company to the chairman and chief executive officer of the Company and the employee equity compensation plans. Approximately \$623 (2001: \$381, 2000: \$291) represents sales expenses, \$238 (2001: \$87, 2000: \$168) represents circulation, \$1,179 (2001: \$1,546, 2000: \$65,044) represents general and administrative and \$524 (2001: \$487, 2000: \$186) represents online services development expenses.

The accompanying notes are an integral part of these financial statements.

-45-

GLOBAL SOURCES LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In U.S. Dollars Thousands)

	Year Ended Dec	
	2000	2001
	-----	-----
Cash flows from operating activities:		
Net income/(Loss).....	\$ (68,221)	\$ 7
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization.....	4,069	8,9
(Profit)/Loss on sale of property and equipment.....	(23)	
Accretion of U.S. Treasury strips zero % coupon.....	(139)	(1

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Bad debt expense.....	1,188	7
Non-cash compensation expense.....	65,689	2,5
Non-cash listing expenses.....	1,353	
Income attributable to minority shareholder.....	37	
Write-down of investments.....	11,750	1,1
Equity in loss/(income) of affiliate.....	51	(
Property and equipment written off.....	12	1
	-----	-----
	15,766	14,1
Changes in assets and liabilities:		
Accounts receivables.....	(1,865)	1,3
Receivables from sales representatives.....	1,527	(1
Receivables from related party sales representatives.....	651	5
Inventory of paper.....	(630)	3
Prepaid expenses and other current assets.....	1,459	6
Loan to chief executive officer.....	(5,350)	
Repayment of loan from chief executive officer.....	5,350	
Long term assets.....	(123)	1
Accounts payable.....	2,067	(1,9
Accrued liabilities and liabilities for incentive and bonus plans	(2,987)	(1,0
Deferred income and customer prepayments.....	750	1,2
Tax liability.....	298	1
	-----	-----
Net cash provided by operating activities.....	16,913	15,4
	-----	-----
Cash flows from investing activities:		
Purchase of long term investments.....	(13,000)	
Purchase of property and equipment.....	(17,128)	(4,8
Proceeds from sales of property and equipment.....	25	3
Proceeds from matured bonds.....	460	4
Capital contributed by minority shareholder in a joint venture...	6,000	
	-----	-----
Net cash used for investing activities.....	(23,643)	(4,1
	-----	-----
Cash flows from financing activities:		
Short-term borrowings.....	13,260	
Repayment of short-term borrowings.....	(9,260)	(4,0
Amount received towards directors stock option plan.....	-	1
Additional capital contributed.....	24	
	-----	-----
Net cash generated from (used for) financing activities.....	4,024	(3,8
	-----	-----
Net (decrease)/increase in cash and cash equivalents.....	(2,706)	7,5
Cash and cash equivalents, beginning of the year.....	15,433	12,7
	-----	-----
Cash and cash equivalents, end of the year.....	\$ 12,727	\$ 20,2
	-----	-----
Supplemental cash flow disclosures:		
Income tax paid.....	\$ 979	\$ 9
Interest paid.....	639	1
	-----	-----
	-----	-----

The accompanying notes are an integral part of these financial statements.

-46-

GLOBAL SOURCES LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In U.S. Dollars Thousands, Except Number of Shares)

	Ordinary Shares		Additional paid in Capital	Retained Earnings
	Number of Shares	Amounts		
Balance at December 31, 1999.....	25,051,380	\$ 251	-	\$ 5,459
Net income.....	-	-	-	(68,221)
Issuance of shares upon share exchange.....	1,252,569	12	\$ 12	-
Non-cash compensation expense....	-	-	70,755	-
Unearned compensation.....	-	-	-	-
Non-cash listing expenses.....	-	-	1,353	-
Interest in Joint Venture.....	-	-	3,606	-
Balance at December 31, 2000.....	26,303,949	\$ 263	\$ 75,726	\$ (62,762)
Net income.....	-	-	-	775
Non-cash compensation expense....	-	-	4,306	-
Unearned compensation.....	-	-	-	-
Amount received towards directors - stock option plan.....	-	-	164	-
Balance at December 31, 2001.....	26,303,949	\$ 263	\$ 80,196	\$ (61,987)
Net income.....	-	-	-	4,307
Non-cash compensation expense....	-	-	240	-
Unearned compensation.....	-	-	-	-
Amount received towards directors - stock option plan.....	-	-	50	-
Issuance of Shares under directors - stock option plan....	5,000	-	-	-
Balance at December 31, 2002.....	26,308,949	\$ 263	\$ 80,486	\$ (57,680)

The accompanying notes are an integral part of these consolidated  
financial statements.

-47-

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### GLOBAL SOURCES LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

#### 1. The Company

Global Sources Ltd. (the "Company") was incorporated in November 1999 under the laws of Bermuda. The Company is majority owned by Hung Lay Si Co Ltd. (the "Parent Company"). The Parent Company is a company organized under the laws of the Cayman Islands. It is wholly owned by the Quan Gung 1986 Trust, a trust formed under the laws of the Island of Jersey. Hill Street Trustees Ltd. is the trustee of the trust (the "Trustee") and the Trustee has sole and exclusive voting investment and dispositive power over the shares of capital stock of the Parent Company owned by the Trust.

The Company's principal business is to provide services that allow global buyers to identify suppliers and products, and enable suppliers to market their products to a large number of buyers. The Company's primary online service is creating and hosting marketing websites that present suppliers' product and company information in a consistent, easily searchable manner on Global Sources Online. The Company also offers electronic cataloguing services for buyers and suppliers. My Catalogs enable buyers to maintain customized information on suppliers. Private Supplier Catalogs are password-protected online environments where suppliers can develop and maintain their own product and company data. Complementing these services are various trade magazines and CD-ROMs. The Company's businesses are conducted primarily through Trade Media Ltd., its wholly owned subsidiary, which was incorporated in October 1984 under the laws of Cayman Islands. Through certain other wholly owned subsidiaries, the Company also organizes conferences and exhibitions on technology related issues and licenses Asian Sources / Global Sources Online and catalog services.

#### 2. Summary of Significant Accounting Policies

##### (a) Basis of Consolidation and Presentation

- (i) The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and comprise the accounts of the Company, its majority owned subsidiaries and those owned through nominee shareholders. All significant intercompany transactions and balances have been eliminated on consolidation.
- (ii) The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective dates of acquisition or up to the effective dates of disposal.
- (iii) The functional currency of the Company and certain subsidiaries is the United States dollar. The functional currencies of other subsidiaries are their respective local currencies. United States dollars are used as the reporting currency as the Company's operations are global.

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(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

-48-

(c) Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(d) Inventory of Paper

Inventory of paper is stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

(e) Property and Equipment

(i) Property and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

(ii) Depreciation on property and equipment is calculated to amortize their cost on a straight line basis over their estimated useful lives as follows:

Fixtures, fittings and office equipment.....	5 years
Leasehold improvements.....	5 years
Motor vehicles.....	5 years
Computer equipment and software.....	3 years

(iii) Effective January 1, 1999, the Company adopted Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," to account for the costs incurred to develop computer software for internal use. Costs incurred in the preliminary project stage with respect to the development of software for internal use are expensed as incurred; costs incurred during the application development stage are capitalized and are amortized over the estimated useful life of three years upon the commissioning of service of the software. Training and maintenance costs will be expensed as incurred.

To account for the development costs related to the products to be sold, leased or otherwise marketed, the Company adopted SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Development costs incurred subsequent to the establishment of the technological feasibility of the product are capitalized. The capitalization will end when the product is available for general release to customers.

The Company expensed \$NIL, \$1,117 and \$64 during the years ended December 31, 2000, 2001 and 2002, respectively, for the costs incurred prior to the establishment of the technological feasibility with respect to the development of products to be sold, leased or otherwise marketed.



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### (f) Intangible Assets

Prior to the adoption of SFAS No. 142 effective on January 1, 2002, copyrights were amortized on a straight line basis over a period of ten years and Goodwill, was amortized on a straight-line basis over twenty years.

-49-

In June 2001, FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method and broadened the criteria for recording intangible assets separated from goodwill. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS No. 142 apply immediately to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS No. 142 effective January 1, 2002. As goodwill was fully amortized and no acquisitions occurred during 2001, the Company believes that the adoption of these standards did not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

### (g) Investments

Long term investments for business and strategic purposes in privately-held companies where such investments are less than 20% of the equity capital of the investees, with no significant influence over the investees, are stated at cost.

Long term investments in companies where such investments are in the range of 20% to 50% of the equity capital of the investees and over whom the Company exercises significant influence, are accounted under equity method.

Interest in subsidiaries with more than 50% ownership are consolidated and the ownership interests of minority investors are recorded as minority interest.

Long term investments in U.S. Treasury strips zero % coupon, held to maturity are stated at amortized cost.

### (h) Impairment of Long-lived Assets

The Company reviews the carrying value of its long-lived assets based upon a gross cash flow basis and will reserve for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. The impairment loss is measured based on the difference between the carrying amount of the asset and its fair value. There was no impairment of the Company's property and equipment or intangibles as of December 31, 2002.

### (i) Revenue Recognition

The Company derives its revenues from advertising fees in its published trade magazines and Websites, sales of trade magazines, fees

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from licensing its trade and service marks, service fees from the provision of software maintenance service, and organizing business seminars.

Revenues from advertising in trade magazines and Websites are recognized ratably in the period in which the advertisement is displayed. Advertising contracts do not exceed one year. Revenue from sales of trade magazines is recognized upon delivery of the magazine. Magazine subscriptions received in advance are deferred and recognized as revenue upon delivery of the magazine. Revenue from the provision of maintenance service is deferred and recognized ratably over the maintenance

-50-

service period. Revenue from organizing business seminars is recognized at the conclusion of the seminar.

The Company receives license fees and royalties from licensing its trade and service marks. Revenue from license fees is recognized ratably over the term of the license, currently four to five years. Royalties from license arrangements are earned ratably in the period in which the advertisement is displayed by the licensee.

The interest income from investments in U.S. Treasury strips zero % coupon is recognized as it accrues, taking into account the effective yield on the asset.

### (j) Transactions with Sales Representatives and Related Party Sales Representatives

The Company utilizes sales representatives and in the past utilized related party sales representatives in various territories to promote the Company's products and services. Under these arrangements, these sales representatives are entitled to commissions as well as marketing fees. Commissions expense is recorded when owed to these sales representative and is included in sales expenses.

These sales representatives which are mainly corporate entities, handle collections from clients on behalf of the Company. Included in receivables from these sales representatives are amounts collected on behalf of the Company as well as cash advances made to these sales representatives.

As of December 31, 2001, the boards of directors of eight of these sales representative companies each included a director nominated by the Company to monitor the receivables collected from the Company's clients by these related party sales representatives, and to monitor any changes to the authorized signatories of the depository bank accounts. The nominated directors were employees of the Company. The Company and the nominated directors did not have any interest in the share capital of these related party sales representatives companies. However as of December 31, 2002, the Company does not have any nominated directors on the board of directors of any of the Company's sales representative companies. Approximately \$20,315, \$20,172 and \$9,986 of the commissions and marketing fees expense was associated with these related party sales representative companies for 2000, 2001 and 2002, respectively.

### (k) Advertising Expenses

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Advertising expenses are expensed as incurred. The Company incurred advertising expenses of \$658, \$277 and \$161 during the years ended December 31, 2000, 2001 and 2002, respectively.

(l) Operating Leases

The Company leases certain office facilities under cancelable and non-cancelable operating leases that expire in two to five years. Rentals under operating leases are expensed on a straight line basis over the life of the leases.

(m) Liabilities for Bonus Plan

Before the commencement of the Equity Compensation Plans as described in note 23, the Company rewarded its senior management staff based on their performance through long term discretionary bo-

-51-

nus awards. These awards were payable in cash generally at the end of five or ten years from the date of the award, even in the event of termination of employment unless certain non-compete provisions had been violated. These awards were expensed in the period to which the performance bonus relates.

(n) Retirement Benefits

The Company operates a number of defined contribution retirement benefit plans. Contributions are based on a percentage of each eligible employees' salary and are expensed as the related salaries are incurred.

(o) Income Taxes

The Company accounts for deferred income taxes using the liability method, under which the expected future tax consequences of temporary differences between the financial reporting and tax basis of its assets and liabilities are recognized as deferred tax assets and liabilities. A valuation allowance is established for any deferred tax asset when it is more likely than not that the deferred tax asset will not be recovered.

(p) Minority Interest

In 2000 the Company entered into an agreement with CMP Media Inc., through United Business Media B.V., a subsidiary of United News and Media plc. (CMP) to set-up a corporation (eMedia Asia Ltd.) to provide new technology content, media and e-commerce services to the electronics technology market in Asia. The Company holds a 60.1% controlling equity interest in eMedia Asia Ltd. and consolidates the results of operations. As part of obtaining its 39.9% interest, CMP has committed to pay \$6,000 and interest thereon to the Company upon the payment of specified future dividends of eMedia Asia Ltd. Due to the contingent nature of the payment, the Company did not record in its balance sheet the promissory note receivable of \$6,000 due from CMP and no interest income was accrued as at December 31, 2002 and 2001. The minority interest liability of \$2,823 and \$2,515 at December 31, 2002 and 2001, respectively, reflects CMP's proportionate interest of the net book value of the eMedia Asia Ltd.

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### (q) Foreign Currencies

Transactions in currencies other than the functional currency are measured and recorded in the functional currency using the exchange rate in effect on the date of the transaction. As of the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are remeasured using the exchange rate at the balance sheet date. All gains and losses arising from foreign currency transactions and remeasurement of foreign currency denominated accounts are included in the determination of net income in the year in which they occur.

The financial statements of the subsidiaries reporting in their respective local currencies are translated into U.S. dollars for consolidation as follows: assets and liabilities at the exchange rate as of the balance sheet date, shareholders' equity at the historical rates of exchange, and income and expense amounts at the average monthly exchange rates. The cumulative translation differences were not material as of December 31, 2001 and 2002.

-52-

### (r) Segment Reporting

Statement of Financial Accounting Standard ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") requires that companies report separately, in the financial statements, certain financial and descriptive information about operating segment profit or loss, certain specific revenue and expense items, and segment assets. Additionally, companies are required to report information about the revenues derived from their products and services groups, about geographic areas in which the Company earns revenues and holds assets, and about major customers.

The Company identifies its operating segments based on business activities, management responsibility and geographic location. The Company has two reportable segments: online services and other media services.

### (s) Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investment by owners and distribution to owners. For each of the years ended December 31, 2000, 2001 and 2002, the Company had no material other comprehensive income items.

### (t) Basic and Diluted Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of shares of ordinary shares outstanding during the period. Diluted net income per share is calculated using the weighted average number of outstanding ordinary shares, plus other dilutive potential ordinary shares. For all periods presented, the Company did not have any dilutive securities; therefore, both the basic and diluted net income per share computations resulted in the same amounts.

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### (u) Stock Based Compensation

The Company has adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost of stock options is measured as the excess, if any, of the fair value of the Company's stock at the date of the grant over the option exercise price and is charged to operations over the vesting period.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No.123 and Emerging Issues Task Force (EITF) Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods and Services." All transactions in which services are received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date on which it is probable that performance will occur.

-53-

A majority of the Company's employee stock compensation plans are share grants without any exercise price or exercise period. Therefore the fair value of the share grants at the date of grant approximates the intrinsic value. As a result, the impact of fair value based accounting under SFAS No. 123 is not significantly different from the intrinsic value method under APB 25.

### (v) Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statements of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138. This statement, as amended, was effective January 1, 2001, and established accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. The adoption of SFAS No. 133, as amended, did not impact the Company's financial position or results of operations.

In June, 2001, FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS No. 142 apply immediately to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS No. 142 effective January 1, 2002. As goodwill was fully amortized and no acquisitions occurred during 2001, management believes that the adoption of these standards did not have a material impact on the

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Company's financial statements of position, results of operations, or cash flows.

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The purpose of this statement is to develop consistent accounting for asset retirement obligations and related costs in the financial statements and provides more information about future cash outflows, leverage and liquidity regarding retirement obligations and the gross investment in long-lived assets. We adopted SFAS No. 143 on January 1, 2003 and believe that the adoption of this standard did not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

In August 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets, superseding SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The statement also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for segments of a business to be disposed. The Company adopted this statement on January 1, 2002 and believes that the adoption of this standard did not have a material impact on the Company's financial statement of position, results of operations, or cash flows.

In April 2002, FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The provisions of this Statement

-54-

relating to the rescission of Statement 4 will be effective for fiscal years beginning after May 15, 2002. The provisions in paragraphs 8 and 9(c) of this Statement relating to Statement 13 are effective for transactions occurring after May 15, 2002. All other provisions of this Statement are effective for financial statements issued on or after May 15, 2002. We believe that the adoption of this standard does not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which requires additional disclosures in interim and annual financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002.

### 3. Current Assets:

	At December 31,	
	2001	2002
Accounts receivable:		
Gross trade receivables.....	\$ 7,842	\$ 6,135

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Less: Allowance for doubtful debts.....	(2,132)	(1,966)
	-----	-----
	\$ 5,710	\$ 4,169
	-----	-----

Movements in Allowance for Doubtful Accounts:

	Year Ended December 31	
	2000	2001
	-----	-----
Balance at beginning of year.....	\$ 1,854	\$ 2,400
Charged to bad debt expenses.....	1,188	765
Write-off of bad debts.....	(642)	(1,033)
	-----	-----
Balance at end of year.....	\$ 2,400	\$ 2,132
	-----	-----

	At December 31,	
	2001	2002
	-----	-----
Prepaid expenses and other current assets:		
Unsecured employee loans and other debtors.....	\$ 117	\$ 108
Prepaid expenses.....	399	284
Other current assets.....	606	755
	-----	-----
	\$ 1,122	\$ 1,147
	-----	-----

-55-

4. Property and Equipment, net:

	At Decembe
	-----
	2001
	-----
Capital work-in progress.....	\$ 33
Leasehold improvements.....	6,635
Motor vehicles.....	72
Computers, fixtures, fittings and office equipment.....	21,781
Software development costs.....	11,821
	-----
Property and equipment, at cost.....	40,342
Less: Accumulated depreciation.....	(21,284)
	-----
	\$ 19,058
	-----

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Depreciation expense for the years ended December 31, 2000, 2001 and 2002 was \$3,051, \$5,458 and \$5,249, respectively and the amortization of Software development cost for the years ended December 31, 2000, 2001 and 2002 was \$647, \$3,106, and \$3,737 respectively.

5. Intangible Assets, net:

	At December
	2001
Goodwill.....	\$ 654
Copyrights.....	3,706
	4,360
Less: Accumulated amortization.....	(4,357)
	\$ 3

6. Long-term Investments and Bonds held to maturity:

- (i) As at December 31, 2002, the Company holds equity instruments carried at \$100 in a privately held unaffiliated electronic commerce company for business and strategic purposes. The investment is accounted for under the cost method since the ownership is less than 20% and the Company does not have the ability to exercise significant influence over the investee. The investment is shown under long term investments in the consolidated balance sheets.

The Company's policy is to regularly review the carrying values of the non-quoted investments and to identify and provide for impairment when circumstances indicate impairment other than a temporary decline in the carrying values of such assets.

During the fourth quarter of year 2000, the Company recorded \$11,750 impairment loss for other than a temporary declines in the carrying value of the investments based on the financial position of the investees and other information, which became available in the fourth quarter of year 2000 and developments in the technology and internet sectors in fourth quarter of year 2000. During the year 2001, the Company recorded a further \$1,150 impairment loss for other than temporary decline in the carrying value of the investment based on economic

-56-

events and other factors. The net carrying value of the long term investment as at December 31, 2001 and 2002 was \$100. The Company will continue to evaluate this investment for impairment.

- (ii) U.S. Treasury strips zero % coupon



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	At December 31,	
	2001	2002
	-----	-----
The amortized cost classified by date of contractual maturity is as follows:		
Due within one year.....	\$ 430	\$
Due after one year through five years.....	1,059	
Due after five years through ten years.....	220	
	-----	-----
	\$ 1,709	\$
	-----	-----

	At December 31,	
	2001	2002
	-----	-----
The fair value based on the market price, classified by date of contractual maturity is as follows:		
Due within one year.....	\$ 444	\$
Due after one year through five years.....	1,137	
Due after five years through ten years.....	230	
	-----	-----
	\$ 1,811	\$
	-----	-----

	At December 31,	
	2001	2002
	-----	-----
Gross unrealized holding gains.....	\$ 102	\$
	-----	-----

7. Other Assets:

	At December 31,	
	2001	2002
	-----	-----
Employee housing loans.....	\$ 378	\$
Club memberships.....	498	
Rental and utility deposits.....	323	
	-----	-----
	\$ 1,199	\$
	-----	-----

-57-

8. Current Liabilities:

	At December 31,	
	2001	2002
Deferred income and customer prepayments:		
Advertising.....	\$ 13,963	\$ 13,963
Subscription and others.....	3,159	3,159
	\$ 17,122	\$ 17,122

	At December 31,	
	2001	2002
Accrued liabilities:		
Salaries, wages and commissions.....	\$ 1,442	\$ 1,442
Retirement benefit plans.....	435	435
Current portion of liabilities for incentive and bonus plans	1,168	1,168
Others.....	2,082	2,082
	\$ 5,127	\$ 5,127

9. Liabilities for Incentive and Bonus Plans

	At December 31,	
	2001	2002
Liability for long term discretionary bonus program.....	\$ 1,434	\$ 1,434

10. Related Party Transactions

The Company has extended loans to some of its employees to finance their purchase or lease of residences. The loans for the purchase of a

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residence are secured by the subject residence, bear interest at a rate of LIBOR plus 2 to 3%, generally have a term of ten years and become due and payable immediately under certain circumstances, including their termination of employment with the Company. The loans for the lease of a residence are unsecured, interest free and are repayable in equal monthly installments over the period of the lease, typically less than or equal to twelve months. Loans due from employees for purchase of residences were \$378 and \$270 as of December 31, 2001 and 2002 respectively. Loans due from employees for lease of residences were \$114 and \$81 as of December 31, 2001 and 2002, respectively. There were no other loans due from the Company's directors and executive officers as at December 31, 2001 and 2002 except for a loan due from the Chief Operating Officer of the Company of \$14 and \$NIL as of December 31, 2001 and 2002, respectively, which was included in loans due from employees for the lease of residences. Other temporary advances to staff, which are generally repayable within twelve months, were \$3 and \$26 as of December 31, 2001 and 2002, respectively.

The Company leases certain office facilities from subsidiaries of the Parent Company under cancelable and non-cancelable operating leases that include both rental and building maintenance services. During the years ended December 31, 2000, 2001 and 2002, the Company incurred rental and building

-58-

management services expenses of \$950, \$1,044, and \$1,048 respectively, with respect to these office facilities.

The Company also receives legal, secretarial and treasury management consultancy services from subsidiaries of the Parent Company. During the year ended December 31, 2000, 2001 and 2002, the Company incurred such legal, secretarial and treasury management consultancy services expenses of \$455, \$464, and \$275 respectively.

The Company had \$11,404 and \$11,404 due to the Parent Company as of December 31, 2001 and 2002, respectively. The amount due to the Parent Company is unsecured.

Effective January 1, 2000, the Company executed an unsecured promissory note in the principal amount of \$11,404 to establish the repayment terms of amounts owed to the Parent Company. On January 1, 2005, the Company will begin repayment of this promissory note. The Company will make quarterly payments of principal and interest over the following ten years. Interest will accrue beginning January 1, 2005 at the applicable U.S. Federal Funds rate.

Effective May 1, 2000, the Company engaged The Fairchild Corporation, a related party, to provide financial, legal and certain other services to the Company for a fee of \$42 per month. The Company terminated this arrangement effective December 31, 2000. The Company incurred \$333 expenses for these services during the year ended December 31, 2000.

In addition to the transactions with related party sales representatives discussed in Note 2(j), the Company provided technical services to these sales representatives and during the year 2000, to a subsidiary of the Parent Company, for a fee. During the year ended December 31, 2000, 2001 and 2002, the Company derived such service fees of \$167, \$259, and \$156, respectively. During the years ended December 31, 2000, 2001 and 2002, the Company has incurred costs of \$79, \$76 and

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\$47, respectively with respect to the incentive awards discussed in Note 11, relating to the related party sales representatives.

### 11. Liabilities for Incentive and Bonus Plans

Before the commencement of the Equity Compensation Plans the Company rewarded its senior management staff based on their current performance through long term discretionary bonus awards. These awards are payable approximately at the end of five or ten years from the date of the award, even in the event of termination of employment unless certain non-compete provisions have been violated. The Company did not incur any expenses related to these awards during the years ended December 31, 2000, 2001 and 2002. The required funds were set aside for payment of the discretionary bonuses by purchasing U.S. Treasury strips zero % coupons maturing in either five or ten years. These investments are held until maturity and the proceeds are used for payment of the discretionary bonuses.

Certain sales representatives of the Company are eligible for incentive awards under plans administered by the Company. Costs incurred related to incentive awards under plans administered by the Company for the years ended December 31, 2000, 2001 and 2002 were \$116, \$78 and \$128, respectively. Amounts under liabilities for incentive plans include amounts owed under plans previously administered by the Company.

-59-

### 12. Retirement Benefit Plans

The Company operates a number of defined contribution retirement benefit plans. Employees working in a jurisdiction where there is no statutory provision for retirement benefits are covered by the Company's plans.

The two principal defined contribution plans are plans where employees are not required to make contributions. One of these two plans is separately administered by an independent trustee and the plan assets are held independent of the Company. The other one is not independently administered and is currently unfunded. The Company's liabilities under this unfunded plan as of December 31, 2001 and 2002 were \$376 and \$447, respectively.

The Company incurred costs of \$1,039, \$1,085 and \$1,101 with respect to the retirement plans in the years ended December 31, 2000, 2001 and 2002, respectively.

### 13. Income Taxes

The Company and certain of its subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Certain of the Company's subsidiaries operate in Hong Kong and Singapore and are subject to income taxes in their respective jurisdictions. Also, the Company is subject to withholding taxes for revenues earned in certain other countries.

Income / (loss) before income taxes consists of:

Year Ended December 31,

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	2000	2001
Cayman Islands.....	\$ (3,593)	\$ 401
Foreign.....	(63,263)	1,549
	\$ (66,856)	\$ 1,950

The provision for income taxes consists of:

	Year Ended December 31,	
	2000	2001
Current tax expense:		
Cayman Islands.....	\$ --	\$ --
Foreign.....	1,277	1,143
Total provision.....	\$ 1,277	\$ 1,143

The provision for income taxes for the years ended December 31, 2000, 2001 and 2002 differed from the amount computed by applying the statutory income tax rate of 0% as follows:

-60-

	Year Ended December 31,	
	2000	2001
Income taxes at statutory rate.....	\$ -	\$ -
Foreign income and revenues taxed at higher rates.....	1,277	1,143
Total.....	\$1,277	\$ 1,143
Effective tax rate.....	(1.91)%	58.62%

Deferred tax assets consist of the following:

At December  
-----  
2001

	-----
Net operating loss carry forwards.....	\$ 7,434
Less: valuation allowance.....	(7,434)
	-----
Deferred tax assets.....	\$ --
	-----

The Company recorded a full valuation allowance for the deferred tax assets due to the uncertainty as to their ultimate realization.

As of December 31, 2002 and 2001, a United States subsidiary has net operating loss carry forwards of approximately \$17.3 million. These losses which expire in year 2020, can be utilized to reduce future taxable income of the subsidiary subject to compliance with the taxation legislation and regulations in the relevant jurisdiction.

The Company recognized a deferred tax liability of US\$610 and US\$604 as at December 31, 2001 and 2002, respectively, which primarily arose from the temporary differences between the financial reporting and the tax bases of fixed assets in one of the subsidiaries of the Company.

14. Share Capital

On April 14, 2000, in conjunction with the Share Exchange Agreement discussed in Note 21, Fairchild (Bermuda), Ltd. issued 25,051,380 ordinary shares to the shareholders of Trade Media Holdings Ltd., predecessor to Global Sources Ltd., in exchange for all of its 10,000 ordinary shares outstanding at that date. All share and per share amounts in these consolidated financial statements have been restated for the year ended December 31, 1999 in a manner similar to a 2,505 to 1 stock split. In addition, Fairchild (Bermuda), Ltd. issued 62,628 ordinary shares and 1,189,941 ordinary shares to The Fairchild Corporation and the shareholders of The Fairchild Corporation respectively. After the share exchange Fairchild (Bermuda), Ltd was renamed Global Sources Ltd. On February 28, 2002, the Company issued 5,000 ordinary shares purchased by a director of the Company under the Directors Stock Option Plan. The authorized share capital of the Company as at December 31, 2001 and 2002 is 50,000,000 ordinary shares of \$0.01 per value. As at December 31, 2001 and at December 31, 2002, the Company has 26,303,949 and 26,308,949 ordinary shares issued and outstanding, respectively.

-61-

15. Fair Value of Financial Instruments

The carrying amounts of the Company's cash equivalents, accounts receivable, related party receivables, accounts payable and accrued liabilities approximate fair value due to their short maturities. The fair value of related party payables cannot be determined due to the related party nature. The information with respect to long term related party payables is disclosed in Note 10. The carrying amount and market value of long term investments are discussed in Note 6.

16. Concentration of Credit Risk and Other Risks

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of investment in

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checking and money market accounts, investment in U.S. Treasury strips zero % coupon, trade accounts receivable and receivables from sales representatives. The Company maintains checking and money market accounts with high quality institutions. The Company has a large number of customers, operates in different geographic areas and generally does not require collateral on accounts receivable or receivables from sales representatives. In addition, the Company is continuously monitoring the credit transactions and maintains reserves for credit losses where necessary. No customer accounted for more than 10% of the Company's revenues for each of the years ended December 31, 2000, 2001 and 2002. No customer accounted for more than 10% of the accounts receivable as of December 31, 2001 and 2002.

In 2002, the Company derived approximately 93% of its revenue from customers in Asia. The Company expects that a majority of its future revenue will continue to be generated from customers in this region. Future political or economic instability in Asia could negatively impact the business.

17. Operating Leases

The Company leases office facilities under cancelable and non-cancelable operating leases that expire in two to five years. During the years ended December 31, 2000, 2001 and 2002, the Company's operating lease rental and building management services expenses were \$1,502, \$1,897 and \$1,872, respectively. The estimated future minimum lease rental payments under non-cancelable operating leases as of December 31, 2002 are as follows:

Year Ending December 31,	Operating Leases
-----	-----
2003.....	\$ 394
2004.....	337
2005 onwards.....	--
	-----
	\$ 731
	-----
	-----

18. Segment and Geographic Information

During the first Quarter of 2002, the Company realigned its products and services into two groups. Thus the Company has two reportable segments: online services and other media services. Certain prior year items have been reclassified to conform to the year 2002 presentation. Revenues by geographic location are based on the location of the customer.

-62-

(a) Segment Information

	Year Ended December 31,	
	2000	2001
	-----	-----
Revenues:		

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Online services.....	\$	55,121	\$	55,468	\$
Other media services.....		46,748		39,010	
Miscellaneous.....		1,184		807	
		-----		-----	
Consolidated.....	\$	103,053	\$	95,285	\$
		-----		-----	

	Year Ended December 31,	
	2000	2001
	-----	-----
Income/(Loss) from Operations:		
Online services.....	\$ (24,625)	\$ 5,958
Other media services.....	(29,515)	(1,070)
Miscellaneous.....	(1,502)	(1,503)
	-----	-----
Consolidated.....	\$ (55,642)	\$ 3,385
	-----	-----

	At December 31,	
	2001	
	-----	-----
Identifiable Assets:		
Online services.....	\$ 34,395	\$
Other media services.....	18,523	
Miscellaneous.....	684	
	-----	-----
Consolidated.....	\$ 53,602	\$
	-----	-----

(b) Foreign Operations

	Year Ended December 31,	
	2000	2001
	-----	-----
Revenues:		
Asia.....	\$ 95,388	\$ 88,427
United States.....	5,235	5,255
Europe.....	1,083	908
Other.....	1,347	695
	-----	-----
Consolidated.....	\$ 103,053	\$ 95,285
	-----	-----



	-----	-----
	-----	-----
		At December
		2001
		-----
Long-Lived Assets:		
Asia.....	\$	20,247

-63-

		At December
		2001
		-----
United States.....		113
Consolidated.....	\$	20,360
		-----
		-----

19. Contingencies

From time to time the Company is involved in litigation in the normal course of business. While the results of such litigation and claims cannot be predicted with certainty, the Company believes that the probability is remote that the outcome of the outstanding litigation and claims as of the current date will have a material adverse effect on the Company's consolidated financial position and results of operations.

20. Capital Commitments

There were no material capital commitments as at December 31, 2002. The commitments as at December 31, 2001 for the renovation work to be carried out on the leasehold office facilities amounted to \$91.

21. Share Exchange Agreement

On December 6, 1999, a Share Exchange Agreement was executed by The Fairchild Corporation, Fairchild (Bermuda), Ltd., Trade Media Holdings Ltd. and the shareholders of Trade Media Holdings Ltd. (the "Share Exchange"). Under the Share Exchange, Fairchild (Bermuda), Ltd. issued additional common shares in exchange for all of the issued and outstanding shares of the Company.

On April 3, 2000, the Form F-1 was declared effective, and on April 14, 2000, the above Share Exchange Agreement was consummated. After the Share Exchange, Fairchild (Bermuda), Ltd. was renamed Global

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Sources Ltd. As of April 14, 2000, the Company was publicly listed on NASDAQ.

The transaction costs associated with the Share Exchange Agreement, amounting to \$609, \$NIL and \$NIL have been expensed during the year ended December 31, 2000, 2001 and 2002, respectively. This expense is included under general and administrative cost for the year ended December 31, 2000 in the Consolidated Statements of Income.

### 22. Restricted Share Award Plan

On February 4, 2000, the Company established a restricted share award plan for the benefit of its chairman and chief executive officer in recognition of services to the Company. In conjunction with the restricted share award plan, the Parent Company assigned 4,008,221 ordinary shares of the Company, representing a 16% equity interest in the Company to the Company. The Company then awarded these shares to its chairman and chief executive officer. The chairman and chief executive officer's entitlement to 501,028 of these shares is subject to an employment agreement with one of the Company's United States subsidiaries and entitlement to such shares vested immediately. The chairman and chief executive officer's entitlement to the remaining 3,507,193 shares is subject to employment, non-compete and vesting terms under an employment agreement with one of the Company's

-64-

United States subsidiaries. The 3,507,193 shares were to vest ratably over 10 years, 10% each year on each anniversary date from the grant date. However, effective August 30, 2000, the Company's Board of Directors approved the accelerated vesting of all the restricted shares granted to the chairman and chief executive officer resulting in immediate vesting of all the shares. The Company recorded total \$64,000, \$NIL and \$NIL non-cash compensation expense associated with these awards in the year ending December 31, 2000, 2001 and 2002, respectively. At the modification date and subsequently the Company, based on historical evidence and the Company's forecast of future employee separations, estimated that the chairman and chief executive officer will not terminate employment and appointment as director prior to the date that vesting in the shares would have occurred absent the modification. Therefore, the Company has estimated that additional compensation expense to be recognized as a result of the modification is nil. Should actual results differ from this estimate, adjustment in future reporting periods will be required.

### 23. Equity Compensation Plans

On December 30, 1999, the Company established the Global Sources Employee Equity Compensation Trust (the "Trust") for the purpose of administering monies and other assets to be contributed by the Company to the Trust for the establishment of equity compensation and other benefit plans. The Trust is administered by Harrington Trust Limited (the "Bermuda Trustee"). The Bermuda Trustee in the exercise of its power under the Declaration of Trust may be directed by the plan committee, including the voting of securities held in the Trust. The Board of Directors of the Company will select the members of the plan committee.

On February 4, 2000, in conjunction with the establishment of the Trust and the Share Exchange, the Parent Company assigned 2,505,138 ordinary shares of the Company, representing a 10% equity interest in the

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Company, for the establishment of share option plans and/or share award plans, known as ECP I, ECP II and ECP III. Subsequently, share option plans and/or share award plans, known as ECP IV, ECP V, ECP VI and ECP VII were established.

Eligible employees, directors and consultants under ECP I are entitled to purchase common shares of Global Sources Ltd. at a price determined by the plan committee at the time of the grant. The exercise price of these options may be below the fair market value of the Company's ordinary shares. The plan committee determines who will receive, and the terms of, the options.

Optionees may pay for ordinary shares purchased upon exercise of options in the manner determined by the plan committee at the time of grant.

Eligible employees, directors and consultants under ECP II were entitled to purchase common shares of Global Sources Ltd. at an exercise price determined by the plan committee at the time of the grant. There are two types of options under this plan. The exercise price of both of these options were below the fair market value of the Company's ordinary shares at that time. The plan committee determines who will receive, and the terms of, the options. Employees could decide whether to take up the options for a period of 95 days ending June 29, 2000. All the options granted were exercised. Optionees were able to pay for ordinary shares purchased upon exercise of options by check to the trust. Payment has been made to the Trust. Entitlement of the employees, directors and consultants to these common shares is subject to employment and vesting terms.

-65-

Eligible employees, directors and consultants under ECP III were awarded a defined amount of compensation payable in Global Sources Ltd. common shares, the number of which were determined by dividing the amount of compensation awarded by an amount determined by the plan committee prior to the Share Exchange.

Entitlement of the employees to these common shares is subject to employment and vesting terms.

The non-cash compensation expense associated with awards in accordance with APB 25 and SFAS 123, under ECP II and ECP III of approximately \$2,948 and \$2,357, respectively, are recognized ratably over the three year vesting term from the respective award dates.

Eligible employees, directors and consultants under ECP IV are awarded a defined amount of compensation payable in Global Sources Ltd. common shares, the number of which are determined by the plan committee periodically.

Entitlement of the employees, directors and consultants to these common shares is subject to employment and vesting terms.

Eligible employees, directors and consultants under ECP V were awarded a one-time grant of shares, the number of which were determined by the plan committee.

Entitlement of the employees to these common shares is subject to employment and vesting terms.

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The Equity Compensation Plan committee approved the awards of common shares under ECP IV and ECP V on January 23, 2001. The Equity Compensation Plan committee approved additional awards of common shares under ECP IV on April 1, 2001 and July 1, 2001 and under ECP V on January 1, 2002.

The non-cash compensation expenses associated with the above awards in accordance with APB 25 and SFAS 123, under ECP IV and ECP V of approximately \$3,086 and \$1,940, respectively, are recognized over the five year vesting term from the respective award dates.

Eligible employees, directors and consultants under ECP VI are awarded a one-time grant of Global Sources Ltd. common shares, the number of which are determined by the plan committee.

Entitlement of the employees, directors and consultants to these common shares is subject to non-compete and vesting terms.

The Equity Compensation Plan committee approved ECP VI on March 13, 2001 and made awards of common shares under plan on various dates during the year 2001 and 2002.

The non-cash compensation expenses associated with the awards in accordance with APB 25 and SFAS 123, under ECP VI totaling to approximately \$433, are recognized over the five year vesting term from the respective award dates.

Eligible employees, directors and consultants under ECP VII are awarded a grant of defined number of Global Sources Ltd. common shares, the number of which are determined by the plan committee periodically.

-66-

The Equity Compensation Plan committee approved the awards of common shares under ECP VII on January 1, 2002. The non-cash compensation expenses associated with the above awards in accordance with APB 25 and SFAS 123, under ECP VII of approximately \$538 are recognized over the six years vesting term from the respective award dates.

Entitlement of the employees, directors and consultants to these common shares is subject to employment and vesting terms.

The Company expensed \$1,689, \$2,501 and \$2,564 in non-cash compensation costs associated with the awards under the above ECP plans in the years ended December 31, 2000, 2001 and 2002, respectively.

	ECP II		ECP III	ECP IV	ECP V	ECP VI
	Purchase	Gift Plan	Grant Plan	Grant Plan	Grant Plan	Grant Plan
Plan Inception	March, 2000	March, 2000	March, 2000	January, 2001	January, 2001	March, 2002
Number of Shares:						
At December 31, 1999...	--	--	--	--	--	--
Original restricted shares granted in year 2000.....	80,887	212,526	104,184	--	--	--

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Shares forfeited to beneficial trustee...	--	(11,442)	(1,334)	--	--
Balance at December 31, 2000.....	80,887	201,084	102,850	--	--
Original restricted shares granted in year 2001.....	--	--	--	522,354	303,000
Shares forfeited to beneficial trustee...	--	(24,468)	(19,839)	(87,837)	(91,500)
Balance at December 31, 2001.....	80,887	176,616	83,011	434,517	211,500
Original restricted shares granted in year 2002.....	--	--	--	--	30,000
Shares forfeited to beneficial trustee...	--	(9,884)	(2,279)	(38,719)	(28,400)
Balance at December 31, 2002.....	80,887	166,732	80,732	395,798	213,100
Grant Price Per Share..	\$24.00	\$NIL	\$NIL	\$NIL	\$NIL
Weighted average fair value of the shares granted.....	\$2.50	\$26.50	\$26.50	\$8.67	\$8.75

Weighted average fair value of the shares granted is estimated to be the average market value of the shares at the time of the grant.

24. Directors Stock Option Plan

A Non-executive Director Option Plan was approved on October 26, 2000 by the shareholders of the Company. Each eligible Director on the date of the first board meeting of each calendar year, commencing in 2001, would receive the grant of an option to purchase 20,000 common shares on that date. The Options granted are subject to such terms and conditions as determined by the Board of Directors at the grant.

-67-

The option price, per share, payable before the end of each February, is determined by the Board of Directors for each such grant of options. The non-executive Directors may decline all or part of the award, which is non-transferable.

The Board granted the first awards under the above plan in 2001. The option price was fifteen percent less than the average closing price of the shares for the last five trading days of the previous calendar year. The award vests over four years with one quarter of the shares

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vesting each year. Full payment must be made upon exercising the option. Upon resignation of an eligible Director, all unvested shares are forfeited and the option price received for the forfeited unvested shares is refunded. Only one director accepted the offer on February 10, 2001 for the 20,000 shares granted under option. The \$164 received as proceeds of this plan was included in additional paid-in capital. On February 28, 2002, the Company issued to the director the 5,000 ordinary shares that vested on that date.

As per the terms of the plan, the Board granted options to all eligible directors again in February 2002. These awards will vest after four years. Optionees must pay 15% of the option price, which is the average closing price of the shares for the last five trading days of year 2001, at the time of exercising the option. The balance of 85% must be paid on or before the vesting date. The resignation of a Director following his or her exercise of the Grant of Options and payment of the Option Price shall not cause a forfeiture of the unvested shares. All the eligible non-executive Directors accepted the offer before February 28, 2002. The \$50 received towards the 15% of the option price was included in additional paid-in capital.

The Board granted options to all eligible directors again in February 2003. These awards will vest after four years. Optionees must pay 10% of the option price, which is the average closing price of the shares for the last five trading days of year 2002, at the time of exercising the option. The balance of 90% must be paid on or before the vesting date. The resignation of a Director following his or her exercise of the grant of options and payment of the option price shall not cause a forfeiture of the unvested shares. Three eligible directors accepted the offer before February 28, 2003.

### 25. Credit Facilities

On March 17, 2000, the Company entered into a credit facility with the Bank of Bermuda (Isle of Man) Limited. The credit facility has a term of one year and provides for borrowings of up to \$25,000, with minimum borrowings of \$1,000. The lender may request security from time to time to secure borrowings under the credit facility. The credit facility bears interest, payable quarterly in arrears, at the London Inter-Bank Market Rate plus 0.5%. The Parent Company has guaranteed all of the Company's obligations under the credit facility.

On March 20, 2002, the credit facility was renewed for \$10,000 for one more year subject to the same terms and conditions as applicable to the original facility.

As of December 31, 2001 and 2002, the outstanding principal amount under this credit facility was \$NIL.

This credit facility was renewed for \$10,000 for a further one year period on March 7, 2003, subject to the same terms and conditions as applicable to the original facility.

-68-

The Company also holds a Documentary Credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to the Company's suppliers. This facility has a maximum limit of \$800. One of the Company's fellow subsidiaries has guaranteed the Company's obligations under the credit facility. As at December 31, 2002, the unutilized amount under this facility was approximately \$713.

-69-

ITEM 9. THE OFFER AND LISTING

Price history of stock

Global Sources Ltd. Shares Prices for the periods indicted as follows:

Period	High	Low
Year 2000	\$99.8750	\$8.7500
Year 2001	11.2500	3.0000
Year 2002	5.5700	2.8500
First Quarter 2001	11.2500	8.0000
Second Quarter 2001	8.6500	6.0000
Third Quarter 2001	6.5400	3.0000
Fourth Quarter 2001	4.8200	3.1000
First Quarter 2002	5.5700	3.6500
Second Quarter 2002	5.1000	4.0500
Third Quarter 2002	4.2000	2.8500
Fourth Quarter 2002	5.1900	3.3600
October 2002	4.7500	3.3600
November 2002	4.1500	3.5000
December 2002	5.1900	4.1000
January 2003	5.3000	4.1500
February 2003	4.9000	4.1700
March 2003	4.4600	4.1500

Markets

Our shares are listed and traded on the NASDAQ national market.

ITEM 10. ADDITIONAL INFORMATION

Memorandum and Articles of Association

Description of shareholder rights attaching to our common shares

Fairchild (Bermuda), Ltd. was incorporated in Bermuda on November 9, 1999 under the Companies Act 1981 of Bermuda. After a share exchange with Trade Media, Fairchild (Bermuda), Ltd. changed its name to Global Sources Ltd. The rights of our shareholders are governed by Bermuda law and our memorandum of association and bye-laws.

The following discussion of our common shares, and the laws governing the rights of our shareholders, is based upon the advice of Appleby, Spurling & Kempe, our Bermuda counsel.

Our authorized share capital consists of 50,000,000 common shares, par value \$0.01 per share, of which 26,313,949 common shares are issued and outstanding.

- o Holders of the common shares have no preemptive, redemption, conversion or sinking fund rights.
- o Holders of the common shares are entitled to one vote per share on all

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matters submitted to a vote of holders of common shares and do not have any cumulative voting rights.

-70-

- o In the event of our liquidation, dissolution or winding-up, the holders of common shares are entitled to share ratably in our assets, if any, remaining after the payment of all our debts and liabilities.
- o Our outstanding common shares are fully paid and non-assessable.
- o Additional authorized but unissued common shares may be issued by the board of directors without the approval of the shareholders.

The holders of common shares will receive such dividends, if any, as may be declared by the board of directors out of funds legally available for such purposes. We may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- o we are, or after the payment would be, unable to pay our liabilities as they become due; or
- o the realizable value of our assets after such payment or distribution would be less than the aggregate amount of our liabilities and our issued share capital and share premium accounts.

The following is a summary of provisions of Bermuda law and our organizational documents, including the bye-laws. We refer you to our memorandum of association and bye-laws, copies of which have been filed with the SEC. You are urged to read these documents for a complete understanding of the terms of the memorandum of association and bye-laws.

### Share capital

Our authorized capital consists of one class of common shares. Under our bye-laws, our board of directors has the power to issue any authorized and unissued shares on such terms and conditions as it may determine. Any shares or class of shares may be issued with such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as we may from time to time by resolution of the shareholders prescribe.

### Voting rights

Generally, under Bermuda law and our bye-laws, questions brought before a general meeting are decided by a simple majority vote of shareholders present or represented by proxy. Each shareholder is entitled to one vote for each share held. Matters will be decided, by way of votes cast on a show of hands, unless a poll is demanded.

If a poll is demanded, each shareholder who is entitled to vote and who is present in person or by proxy has one vote for each common share entitled to vote on such question. A poll may only be demanded under the bye-laws by:

- o the chairman of the meeting;
- o at least three shareholders present in person or by proxy;
- o any shareholder or shareholders present in person or by proxy and holding between them not less than one-tenth of the total voting rights of all shareholders having the right to vote at such meeting;



or

- o a shareholder or shareholders present in person or represented by proxy holding shares conferring the right to vote at such meeting, being common shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such common shares conferring such right.

-71-

No shareholder shall, unless the board of directors otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by that shareholder in respect of all shares held by such shareholder have been paid.

#### Dividend rights

Under Bermuda law, a company may declare and pay dividends unless there are reasonable grounds for believing that the company is, or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts.

Under our bye-laws, each share is entitled to a dividend if, as and when dividends are declared by the board of directors. The board of directors may determine that any dividend may be paid in cash or will be satisfied in paying up in full common shares in Global Sources to be issued to the shareholders credited as fully paid or partly paid. The board of directors may also pay any fixed cash dividend which is payable on any of our common shares half-yearly or on other dates, whenever our position, in the opinion of the board of directors, justifies such payment.

Dividends, if any, on our common shares will be paid at the discretion of our board of directors and will depend on our future operations and earnings, capital requirements, surplus and general financial conditions, as our board of directors may deem relevant.

We have not paid any cash dividends on our common shares since October 1999. Previously, we paid dividends as a private company as a means to distribute earnings to shareholders. Beginning in October 1999, we have focused on the implementation of our growth plans, and we have retained earnings in furtherance of such plans. Currently, we do not intend to pay dividends for the foreseeable future in order to focus on our growth plans.

#### Purchase by a company of its own common shares

We may purchase our own common shares out of the capital paid up on the common shares in question or out of funds that would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of common shares made for the purposes of the purchase. We may not purchase our shares if, as a result, our issued share capital would be reduced below the minimum capital specified in our memorandum of association.

However, to the extent that any premium is payable on the purchase, the premium must be provided out of the funds of the company that would otherwise be available for dividend or distribution or out of a company's share premium account. Any common shares purchased by a company are treated as cancelled and the amount of the company's issued capital is diminished by the nominal value of the shares accordingly but shall not be taken as reducing the amount of the company's authorized share capital.

Preemptive rights

Our bye-laws do not provide the holders of our common shares with preemptive rights in relation to any issues of common shares held by us or any transfer of our shares.

Variation of rights

We may issue more than one class of shares and more than one series of shares in each class. If we have more than one class of shares, the rights attached to any class of shares may be altered or abrogated either:

- o with the consent in writing of the holders of not less than seventy-five percent of the issued common shares of that class; or
- o with the sanction of a resolution passed at a separate general meeting of the holders of such common shares, voting in proxy or present, at which a quorum is present.

-72-

The bye-laws provide that a quorum for such a meeting shall be two persons present in person or by proxy representing a majority of the shares of the relevant class. The bye-laws specify that the creation or issue of shares ranking on parity with existing shares will not, subject to any statement to the contrary in the terms of issue of those shares or rights attached to those shares, vary the special rights attached to existing shares.

Transfer of common shares

Subject to the "Transfer Restrictions" section below, a shareholder may transfer title to all or any of his shares by completing an instrument of transfer in the usual common form or in such other form as the board of directors may approve. The form of transfer is required to be signed by or on behalf of the transferor.

Transfer Restrictions

The board of directors may in its absolute discretion and without assigning any reason refuse to register the transfer of any share that is not fully paid.

The board of directors may refuse to register an instrument of transfer of a share unless it:

- o is duly stamped, if required by law, and lodged with us;
- o is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as the board of directors shall reasonably require;
- o has obtained, where applicable, permission of the Bermuda Monetary Authority; and
- o is in respect of one class of shares.

A "blanket" authorization has been obtained from the Bermuda Monetary Authority for all transfers of our common shares between persons who are not resident in Bermuda for exchange control purposes, provided our common shares remain listed on an "appointed stock exchange" (which includes listings on the Nasdaq National Market).

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### Transmission of Shares

In the event of the death of a shareholder, the survivor or survivors, where the deceased shareholder was a joint holder, or the legal personal representative of such shareholder, including executors and administrators, shall be the only persons recognized by us as having any title to the shareholder shares.

### Disclosure of Interests

Our bye-laws provide that a director who has at least a five percent interest, directly or indirectly, in an entity that is interested in a contract or proposed contract or arrangement with us, shall declare the nature of such interest at the first opportunity at a meeting of the board of directors, or by writing to the board of directors. If the director has complied with the relevant sections of the Companies Act and the bye-laws with regard to the disclosure of his interest, the director may vote at a meeting of the board of directors or a committee thereof on a contract, transaction or arrangement in which that director is interested and he will be taken into account in ascertaining whether a quorum is present.

Under Bermuda law, directors individually do not have exerciseable borrowing rights, unless the bye-laws provide otherwise. Our bye-laws do not provide for borrowing rights or credit limits for individual directors. The board of directors may approve borrowings at their meetings, and between meetings the executive committee of the board may approve borrowings.

-73-

### Rights in Liquidation

Under Bermuda law, in the event of liquidation, dissolution or winding-up of a company, after satisfaction in full of all claims of creditors and subject to the preferential rights accorded to any series of preferred stock, the proceeds of such liquidation, dissolution or winding-up are distributed among the holders of shares in accordance with a company's bye-laws.

Under our bye-laws, if we are wound up, the liquidator may, with the sanction of a resolution from us and any sanction required by the Companies Act, divide amongst the shareholders in specie or kind the whole or part of our assets, whether they shall consist of property of the same kind or not and may for such purposes set such values as he deems fair upon any property to be divided as set out above and may determine how such division shall be carried out as between the shareholders.

### Meetings of Shareholders

Under Bermuda law, a company is required to convene at least one general meeting per calendar year. The directors of a company, notwithstanding anything in its bye-laws, shall, on the requisition of the shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the company carrying the right of vote, duly convene a special general meeting.

The bye-laws provide that the board of directors may convene a special general meeting whenever in their judgment such a meeting is necessary. Unless the bye-laws of a company specify otherwise, Bermuda law requires that shareholders be given at least five days' notice of a meeting of the company. Our bye-laws extend this period to provide that at least 21 days' written notice of a general meeting must be given to those shareholders entitled to receive such notice. The accidental omission to give notice to or non-receipt of a notice of a meeting by any person does not invalidate the proceedings of a meeting.

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Under Bermuda law the number of shareholders constituting a quorum at any general meeting of shareholders may not be less than two individuals. Our bye-laws add to this quorum requirement to provide that no business can be transacted at a general meeting unless a quorum of at least two shareholders representing a majority of the issued shares of the company are present in person or by proxy and entitled to vote. A shareholder present at a general meeting or a meeting of a class of shareholders in person or by proxy shall be deemed to have received appropriate notice of the meeting.

Under our bye-laws, notice to any shareholders may be delivered either personally or by sending it through the post, by airmail where applicable, in a pre-paid letter addressed to the shareholder at his address as appearing in the share register or by delivering it to, or leaving it at such registered address. A notice of a general meeting is deemed to be duly given to the shareholder if it is sent to him by cable, telex or telecopier.

### Access to Books and Records and Dissemination of Information

Under Bermuda law, members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies. These documents include the memorandum of association and any alteration to the memorandum of association.

Our shareholders and directors have the additional right to inspect our minute books and our audited financial statements, which must be presented at an annual general meeting.

Our bye-laws provide that the register of shareholders of a company is required to be open for inspection during normal business hours by shareholders without charge and to members of the general public on the payment of a fee. A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. We have established a branch register with our transfer agent Mellon Investor Services, LLC at 44 Wall Street, 6th Floor, New York, New York 10005.

-74-

Under Bermuda law, a company is required to keep at its registered office a register of its directors and officers that is open for inspection for not less than two hours in each day by members of the public without charge. Our bye-laws extend this obligation to provide that the register of directors and officers be available for inspection by the public during normal business hours. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

### Election or Removal of Directors

The bye-laws provide that the number of directors will be such number not less than two, as our shareholders by resolution may from time to time determine. A director will serve until his successor is appointed or his prior removal in the manner provided by the Companies Act or the bye-laws. Our bye-laws provide that at each annual general meeting one-third of the directors will retire from office on a rotational basis based on length of time served. A director is not required to hold shares in a company to qualify to join the board, and once appointed may sit on the board regardless of age, unless the bye-laws provide otherwise. Our bye-laws do not require qualifying shares to join the board and do not set age limits for directors who serve on the board. All directors must provide written acceptance of their appointment within thirty days of their appointment.

The board has the power at any time and from time to time to appoint any

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individual to be a director so as to fill a casual vacancy. The board may approve the appointment of alternate directors.

We may, in a special general meeting called for this purpose, remove a director, provided notice of such meeting is served upon the director concerned not less than fourteen days before the meeting and he shall be entitled to be heard at that meeting.

The office of a director will be vacated in the event of any of the following:

- o if he resigns his office by notice in writing to be delivered to our registered office or tendered at a meeting of the board of directors;
- o if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health;
- o if he becomes bankrupt under the law of any country or compounds with his creditors;
- o if he is prohibited by law from being a director; or
- o if he ceases to be a director by virtue of the Companies Act or is removed from office pursuant to the bye-laws.

### Amendment of Memorandum of Association and Bye-Laws

Bermuda law provides that the memorandum of association of a company may be amended by resolution of the board subject to approval by a resolution passed at a general meeting of which due notice has been given. An amendment to a memorandum of association does not require the consent of the Minister of Finance save for specific circumstances, for example, the adopting of any special objects.

Under Bermuda law, the holders of:

- o an aggregate of not less than twenty percent in par value of a company's issued share capital or any class thereof, or
- o not less in the aggregate than twenty percent of the company's debentures entitled to object to alterations to its memorandum of association,

-75-

have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Supreme Court. An application for an annulment of an amendment of the memorandum of association must be made within twenty-one days after the date on which the resolution altering the memorandum of association is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No such application may be made by persons voting in favor of the amendment or any persons who have given to the company a statement in writing duly signed that he, having had notice, consents to the alteration.

Our bye-laws provide that such bye-laws may be amended in the manner provided for in the Companies Act. The Companies Act provides that the directors may amend the bye-laws, provided that any such amendment shall be operative only to the extent approved by the shareholders.

#### Transactions with Interested Shareholders

Our bye-laws prohibit us from engaging in a business combination with any interested shareholder unless the business combination is approved by two-thirds of the holders of our voting shares (other than shares held by such interested shareholder), or by a majority of continuing directors, or if certain prescribed conditions are met assuring that we will receive fair market value in exchange for such business combination. In this context, a "business combination" includes mergers, asset sales and other material transactions resulting in a benefit to the interested shareholder or the adoption of a plan for our liquidation or dissolution; a "continuing director" is a member of our board of directors that is not an affiliate or associate of an interested shareholder and was a member of our board prior to such person becoming an interested shareholder; and an "interested shareholder" is any person (other than us or any of our subsidiaries, any employee benefit or other similar plan or any of our shareholders that received our shares in connection with our recent share exchange prior to the listing of our shares on NASDAQ) that owns or has announced its intention to own, or with respect to any of our affiliates or associates, within the prior two years did own, at least 15% of our voting shares.

#### Appraisal Rights and Shareholder Suits

##### Amalgamation

The Companies Act provides that, subject to the terms of a company's bye-laws, the amalgamation of a Bermuda company with another company requires the amalgamation agreement to be approved by the board of directors and at a meeting of the shareholders by seventy-five percent of the members present and entitled to vote at such meeting in respect of which the quorum shall be two persons holding or representing at least one-third of the issued shares of the company or class, as the case may be.

Our bye-laws alter the majority vote required and provide that any resolution submitted for the consideration of shareholders at any general meeting to approve a proposed amalgamation with another company requires the approval of two-thirds of the votes of disinterested shareholders cast at such meeting.

Under Bermuda law, in the event of an amalgamation of a Bermuda company, a shareholder who did not vote in favor of the amalgamation and who is not satisfied that fair value has been offered for such shareholder's shares, may apply to a Bermuda court within one month of notice of the meeting of shareholders to appraise the fair value of those shares.

#### Class Actions and Derivative Actions

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Under Bermuda law, a shareholder may commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company, or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for

instance, where an act requires the approval of a greater percentage of the company's shareholders than those who actually approved it.

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When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to a Bermuda court, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders, by other shareholders or by the company.

### Capitalization of Profits and Reserves

Under our bye-laws, the board of directors may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of our share premium account; and accordingly make such amount available for distribution among the shareholders who would be entitled to it if distributed by way of a dividend in the same proportions and on the footing that the same may be paid not in cash but be applied either in or towards:

- o paying up amounts unpaid on any of our shares held by the shareholders; or
- o payment up in full of our unissued shares, debentures, or other obligations to be allotted and credited as fully paid amongst such shareholders.

As a proviso to the foregoing, the share premium account may be applied only in paying up unissued shares to be issued to shareholders credited as fully paid, and provided, further, that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.

### Registrar or Transfer Agent

Our transfer agent and registrar is Mellon Investor Services, LLC. In addition to a register held by Mellon Investor Services, a register of holders of the shares is maintained by Appleby, Spurling & Kempe in Bermuda located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

### Untraced Shareholders

We are entitled to sell the common shares of a person entitled to such common shares provided such person goes untraced for a period of 12 years. We shall be held to account to the rightful holder of such common shares for an amount equal to the proceeds of sale. Any dividend or distribution out of contributed surplus unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to us and the payment by the board of directors of any unclaimed dividend, distribution, interest or other sum payable on or in respect of the common share into a separate account shall not constitute us a trustee in respect thereof.

### Personal Liability of Directors and Indemnity

The Companies Act requires every officer, including directors, of a company in exercising powers and discharging duties, to act honestly in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Companies Act further provides that any provision whether in the bye-laws of a company or in any contract between the company and any officer or any person employed by the company as auditor exempting such officer or person from, or indemnifying him against, any liability which by virtue of any rule of law would otherwise attach to him, in respect of any wilful negligence, wilful default, fraud or dishonesty of which he may be guilty in relation to the

company, shall be void.

Every director, officer, resident representative and committee member shall be indemnified out of our funds against all liabilities, loss, damage or expense, including liabilities under contract, tort and statute or any applicable foreign

-77-

law or regulation and all reasonable legal and other costs and expenses properly payable, incurred or suffered by him as director, officer, resident representative or committee member; provided that the indemnity contained in the bye-laws will not extend to any matter which would render it void under the Companies Act as discussed above.

#### Material Contracts

We do not believe any of our contracts to be material to the operation of our company, taken as a whole.

#### Exchange Controls

#### Bermuda Law

We have been designated as a non-resident under the Exchange Control Act of 1972 by the Bermuda Monetary Authority. This designation will allow us to engage in transactions in currencies other than the Bermuda dollar.

The Registrar of Companies (Bermuda) has neither approved nor disapproved of the securities to which this document relates, nor passed on the accuracy or adequacy of this document and accepts no responsibility for the financial soundness of any proposals or the correctness of any statements made or opinions expressed with regard to such securities. Approvals or permissions received from the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such approvals or permissions, the Bermuda Monetary Authority will not be liable for our performance or default or for the correctness of any opinions or statements expressed in this document.

The transfer of common shares between persons regarded as resident outside Bermuda for exchange control purposes and the issue of common shares to such persons may be effected without specific consent under the Control Act and regulations thereunder. Issues and transfers of common shares to any person regarded as resident in Bermuda for exchange control purposes require specific prior approval from the Bermuda Monetary Authority under the Control Act.

There are no limitations on the rights of persons regarded as non-resident of Bermuda for foreign exchange control purposes owning our shares. Because we have been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on our ability to transfer funds, other than funds denominated in Bermuda dollars, in and out of Bermuda or to pay dividends to non-Bermuda residents who are holders of our shares, other than in respect of local Bermuda currency.

Under Bermuda law, share certificates are only issued in the names of corporations, partnerships or individuals. In the case of an applicant acting in a special capacity, for example an executor or a trustee, certificates may, at the request of the applicant, record the capacity in which the applicant is acting.

Notwithstanding the recording of any such special capacity, we are not bound to



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investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

We will take no notice of any trust applicable to any of our common shares whether or not we had notice of such trust.

As an "exempted company," we are exempt from Bermuda laws, which restrict the percentage of share capital that may be held by non-Bermudians. However, as an exempted company we may not participate in designated business transactions, including:

- o the acquisition or holding of land in Bermuda (except that required for our business and held by way of lease or tenancy agreement for a term not exceeding 50 years or, with the consent of the Minister granted in his discretion, land held by way of lease or tenancy for a term of not more than 21 years in order to provide accommodation or recreational facilities for our officers and employees);

-78-

- o the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Minister of Finance of Bermuda;
- o the acquisition of bonds or debentures secured on land in Bermuda, unless they are issued by the Bermuda Government or a public authority; or
- o the carrying on of business of any kind in Bermuda, except in furtherance of our business carried on outside Bermuda or under a license granted by the Minister of Finance of Bermuda.

### Taxation

#### Bermuda Taxation

We have received from the Minister of Finance a written undertaking under the Exempted Undertakings Tax Protection Act, 1996 (as amended) of Bermuda, to the effect that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to us or to any of our operations or to our shares, debentures or other obligations until March 28, 2016. These assurances are subject to the proviso that they are not construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the imposition of property taxes on any company owning real property or leasehold interests in Bermuda.

Currently there is no Bermuda withholding tax on dividends that may be payable by us in respect to the holders of our common shares. No income, withholding or other taxes or stamp duty or other duties are imposed upon the issue, transfer or sale of the shares or on any payment thereunder. There is no income tax treaty between Bermuda and the United States.

#### Documents on Display

#### Where You May Find More Information

We are required to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, applicable to a foreign private issuer. We will file annually a Form 20-F no later than six months after the close of our

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fiscal year, which is December 31. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP. We intend, although we are not obligated to do so, to furnish our shareholders with quarterly reports by mail with the assistance of a corporate services provider, which will include unaudited interim financial information prepared in conformity with U.S. GAAP for each of the three quarters of each fiscal year following the end of each such quarter. We may discontinue providing quarterly reports at any time without prior notice to our shareholders.

Our reports and other information, when so filed, may be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Copies of such material may be obtained from the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

These reports and other information may also be inspected at the offices of the NASDAQ National Market, 1735 K Street, N.W., Washington, D.C. 20006.

-79-

### ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We operate internationally and foreign exchange rate fluctuations may have a material impact on our results of operations. Historically, currency fluctuations have been minimal on a year-to-year basis in the currencies of the countries where we have operations. As a result, foreign exchange gains or losses in revenues and accounts receivable have been offset by corresponding foreign exchange losses or gains arising from expenses. However, during the Asian economic crisis of 1997 to 1998, both advertising sales and the value of Asian currencies declined, which caused a significant decline in revenues that was not fully offset by lower expense levels in Asian operations.

This decline in revenues occurred due to contracts being denominated and priced in foreign currencies prior to devaluations in Asian currencies. The conversion of these contract proceeds in U.S. dollars resulted in losses and reflects the foreign exchange risk assumed by us between contract signing and the conversion of cash into U.S. dollars. We believe this risk is mitigated because historically a majority (ranging between 55% and 65%) of our revenues are denominated in U.S. dollars or are received in the Hong Kong currency, which is currently pegged to the U.S. dollar. To the extent significant currency fluctuations occur in the New Taiwan dollar, and Chinese Renminbi or other Asian currencies, or if the Hong Kong dollar is no longer pegged to the U.S. dollar, our profits would be affected.

As of December 31, 2002, we have not engaged in foreign currency hedging activities.

### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES - (Not applicable)

## PART II

All financial information contained in this document is expressed in United States dollars, unless otherwise stated.

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ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES - (Not applicable)

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS - (Not applicable)

ITEM 15. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in report that it files or submits under the U.S. Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that our disclosure controls and procedures are effective.

Subsequent to the date of their evaluation, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls.

-80-

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT - (Not applicable)

ITEM 16B. CODE OF ETHICS - (Not applicable)

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES - (Not applicable)

### PART III

All financial information contained in this document is expressed in United States dollars, unless otherwise stated.

ITEM 17. FINANCIAL STATEMENTS - (Not applicable)

ITEM 18. FINANCIAL STATEMENTS

As provided in Item 8, the Company has presented financial statements in accordance with U.S. accounting standards in lieu of Item 18.

-81-

ITEM 19. EXHIBITS

#### EXHIBIT INDEX

Exhibit No.	Description
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1.1	Memorandum of Association of the Company. *
1.2	Bye-laws of the Company. *
1.3	Amendments to the Bye-Laws of Global Sources Ltd., as approved at the May 6, 2002 Annual General Meeting of Shareholders. ++
2.1	Specimen Certificate. *

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- 4.2 Form of executive officer employment agreement. \*
- 4.3 Employment Agreement dated November 1, 1999, by and between Trade Media Holdings Limited and Merle Hinrichs. \*
- 4.4 Amendment to Employment Agreement dated January 19, 2000, between Trade Media Holdings Limited and Merle Hinrichs. \*
- 4.5 Employment Agreement dated as of January 29, 2000, by and between LER Corporation and Merle Hinrichs. \*
- 4.6 Form of Restricted Stock Award and Agreement, dated as of January 29, 2000, by and between LER Corporation and Merle Hinrichs. \*
- 4.7 Amendment No.1 to Restricted Stock Award and Agreement dated as of February 29, 2000, by and between LER Corporation and Merle Hinrichs. \*
- 4.8 Form of The Global Sources Employee Equity Compensation Plan No. I. \*
- 4.9 Form of The Global Sources Employee Equity Compensation Plan No. II. \*
- 4.10 Form of The Global Sources Employee Equity Compensation Plan No. III. \*
- 4.11 Loan Agreement, dated March 7, 2000 of Trade Media Holdings Ltd. to Hung Lay Si Co. Ltd. \*
- 4.12 Facility Agreement, dated March 17, 2000, between Bank of Bermuda (Isle of Man) Limited and Trade Media Holdings Ltd. \*
- 4.13 Guarantee and Indemnity, dated March 17, 2000, between Hung Lay Si Co. Ltd. and Bank of Bermuda (Isle of Man) Limited. \*
- 4.15 Extension of the Facility terms and conditions letter dated March 9, 2001, between Bank of Bermuda (Isle of Man) Limited and Trade Media Holdings Ltd. \*\*
- 4.16 Acceptance of the terms and conditions relating to extension of the facility dated March 13, 2001, by Trade Media Holdings Ltd. \*\*
- 4.17 Extension of the guarantee and indemnity, dated March 13, 2001, between Hung Lay Si Co. Ltd. and Bank of Bermuda (Isle of Man) Limited. \*\*
- 4.18 Form of The Global Sources Employee Equity Compensation Plan No. IV. \*\*
- 4.19 Form of The Global Sources Employee Equity Compensation Plan No. V. \*\*
- 4.20 Form of The Global Sources Employee Equity Compensation Plan No. VI. \*\*\*
- 4.21 Extension of the Facility terms and conditions letter dated March 20, 2002, between Bank of Bermuda (Isle of Man) Limited and Trade Media Holdings Ltd., and Acceptance of the terms and

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- conditions relating to extension of the facility by Trade Media Holdings Ltd. +
- 4.22            Extension of the guarantee and indemnity, dated March 20, 2002, between Hung Lay Si Co. Ltd. and Bank of Bermuda (Isle of Man) Limited. +
- 4.23            Form of The Global Sources Employee Equity Compensation Plan No. VII. \*\*\*\*\*
- 4.24            Extension of the Facility terms and conditions letter dated March 7, 2003, between Bank of Bermuda (Isle of Man) Limited and Trade Media Holdings Ltd., and Acceptance of the terms and conditions relating to extension of the facility by Trade Media Holdings Ltd.
- 4.25            Extension of the guarantee and indemnity, dated March 7, 2003, between Hung Lay Si Co. Ltd. and Bank of Bermuda (Isle of Man) Limited.
- 4.26            Global Sources' Code of Ethics (approved and adopted by the Board of directors on March 7, 2003).
- 4.27            Form of The Global Sources Employee Equity Compensation Plan No. V (Amended). \*\*\*\*\*
- 8.1             Subsidiaries of the Company.

-82-

Exhibit No. -----	Description -----
12.1	Consent of Independent Accountants for incorporation of their report filed with Form 6-K into the Company's previously filed Registration Statements File No. 333-59098 and 333-62132. ****
12.2	Changes in Registrant's Certifying Accountant. +++
12.3	Letter to the SEC from the Company pursuant to SEC Release No. 33-8070, dated April 9, 2002. ****
12.4	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-- Oxley Act of 2002.
12.5	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-- Oxley Act of 2002.
12.6	Consent of Independent Accountants for incorporation of their report filed under Form 20-F into the Company's previously filed Registration Statements File No. 333-104426 and 333-59058.

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\*            Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on June 30, 2000.

\*\*            Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on April 5, 2001.

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- \*\*\* Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on June 1, 2001.
- \*\*\*\* Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on April 25, 2002.
- \*\*\*\*\* Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on April 10, 2003.
- + Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on April 30, 2002.
- ++ Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on May 6, 2002.
- +++ Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on August 13, 2002.

-83-

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GLOBAL SOURCES LTD.

By: /s/ EDDIE HENG

-----  
Eddie Heng, Director and Chief Financial Officer

Date: May 5, 2003

-84-

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Merle A. Hinrichs, certify that:

1. I have reviewed this annual report on Form 20-F of Global Sources Ltd.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

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3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 5, 2003

/s/ Merle A. Hinrichs

-----  
Merle A. Hinrichs, Director, Chairman and  
Chief Executive Officer

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER

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PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eddie Heng, certify that:

1. I have reviewed this annual report on Form 20-F of Global Sources Ltd.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 5, 2003



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/s/ Eddie Heng

-----  
Eddie Heng, Director and Chief Financial Officer

EXHIBIT 4.24  
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BANK of BERMUDA

Bank of Bermuda  
(Isle of Man) Limited

P.O. Box 34  
12/13/ Hill Street,  
Douglas,  
Isle of Man, IM99 1BW,  
British Isles  
Telephone +44 (0) 1624 637777  
Fax +44 (0) 1624 637778/9

7th March, 2003

The Directors  
Trade Media Holdings Limited  
24/F Block B, Vita Tower  
29 Wong Chuk Hang Road  
Hong Kong

Dear Sirs,

This letter confirms that the Bank of Bermuda (Isle of Man) Limited ("the Bank") is prepared to extend the loan facility to Trade Media Holdings Limited ("the Borrower"). Subject to the amendment outlined below, the terms and conditions originally set forth in the Bank's facility letter of 13th March 2000, continue to apply.

The amendment is as follows:

Amount: The paragraph that follows this heading in the Facility Letter is to be amended to read as follows;

"A maximum amount of US\$10,000,000 (ten million US dollars) ("the Loan") will be available which may be drawn in tranches of a minimum of US\$1,000,000 (one million US dollars)"

The loan and all unpaid interest, fees and other sums payable under this facility shall be repaid in full not later than the 20th March 2004, pending a full review and possible renewal of the facility for a further twelve month term.

The Bank will incur no obligations under this letter until it has received all of the following:

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- a) return of the enclosed copy of this letter duly signed by the Borrower as acceptance of the terms and conditions of this letter.
- b) a copy (certified as true by a Director or the Secretary of the Borrower) of a Resolution of the Board of Directors of the Borrower authorising such acceptance and designating the person(s) authorised to sign the acceptance and confirming that all corporate action necessary to accept the terms of this letter have been taken.
- c) Payment of an Annual Fee of \$1,000 in respect of this extension.
- d) Board Resolution and Letter from the Guarantor, Hung Lay Si Co Ltd. whose registered office is situate at PO Box 309, Grand Cayman, Cayman Islands, confirming agreement to extension of the Guarantee and Charge document.

If the terms and conditions of this letter are acceptable, please sign and date the form of acceptance on the enclosed copy of this letter and return it to the Bank together with the items mentioned above.

Yours faithfully,  
/s/ Nigel Cashin  
Nigel Cashin  
-----  
Credit Manager

TO: BANK OF BERMUDA (ISLE OF MAN) LIMITED

The Borrower hereby agrees to accept the terms and conditions as set out in the Bank's letter to the Borrower dated the 7th March 2003 of which the foregoing is a true copy.

For and on behalf of Trade Media Holdings Limited  
(as Borrower)

/s/ Eddie Heng Teng Hua  
-----  
Director

/s/ Ong Mei Ling  
-----  
Secretary

Date: March 7, 2003

-----  
HUNG LAY SI CO. LTD.  
Hong Kong Representative Office  
Mailing address: G.P.O. Box 10999, Hong Kong  
-----

7 March, 2003

Bank of Bermuda (Isle of Man) Limited  
P.O. Box 34,  
12/13 Hill Street, Douglas,  
Isle of Man, IM99 1BW,  
British Isles

Dear Sirs:

In consideration of your extending a Loan Facility of up to a maximum amount of US\$10,000,000 (ten million US Dollars) ("the Loan Facility") pursuant to the terms of a Facility letter dated 7 March 2003, copy attached, to Trade Media Holdings Limited ("the Borrower") we hereby irrevocably undertake, in your favor:

1. to acknowledge that the Guarantee and Charge Agreement (both dated 17th March 2000) that you hold in respect of the initial Loan Facility may be regarded as applying in all respects to the extended 12 months period of the Loan Facility as though each had been entered into by ourselves afresh in respect of the extended period;
2. to continue to deposit with you a deposit on the terms set out in our previous letter dated 17th March 2000 as amended in facility letter dated 7 March 2003; and
3. to deliver to you a copy (certified by either a Director or the Company Secretary) of the Resolution of the Board of Directors of this Company authorizing the signature of this letter on its behalf.

For and behalf of  
HUNG LAY SI CO. LIMITED

/s/ William R. Seitz

-----  
William R. Seitz  
Director

/s/ Richard F.V. Jeune

-----  
Richard F.V. Jeune  
Director

EXHIBIT 4.26  
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Table of Contents

Code of Ethics

1. Personal Conduct
2. Protecting the Company's Assets

## Edgar Filing: GLOBAL SOURCES LTD /BERMUDA - Form 20-F

- 2.1 Confidential and Proprietary Information
- 2.2 Insider Information and Securities Trading
- 2.3 Use of Company's Resources
- 3. Employees
  - 3.1 Fair Employment Practices
  - 3.2 Safety and Health Guidelines
  - 3.3 Anti-harassment Guidelines
- 4. Subcontractors, Representative Companies, Service Companies and Licensee Companies 4.1 Ethical Business Relationships
- 5. Shareholders and Investors 5.1 Accuracy of Company Records
- 6. Community and Society 6.1 Environmental Concerns
  - 6.2 Communicating with External Audiences
- 7. Governments
  - 7.1 Compliance with Applicable Laws, Rules and Regulations
- 8. Reporting Violations of the Code
- 9. Questions

### Code of Ethics

Global Sources is committed to maintaining the highest standard of ethical conduct. Ethics is about doing the right things, as an individual and as an employee of Global Sources (Employee).

Global Sources' (the Company's) core values are introduced and reinforced to Employees through induction briefings, training and employee communications. Every Employee is expected to conduct himself or herself in line with the Code of Ethics outlined below.

- 1. Personal Conduct
  - 1.1 The individual and collective conduct of Global Sources Employees, in respect of the performance of their duties, should promote the Company's business interests and activities.
  - 1.2 Employee honesty and integrity is essential to ethical business conduct, including the handling of actual or apparent conflicts of interest between an Employee's personal and professional relationships.
  - 1.3 It is essential for every Employee to avoid making untrue representations or statements to anyone inside or outside the Company.
  - 1.4 Employees are not permitted to engage in any freelance or other employment of a part time or full time nature, whether within, or outside working hours, without prior written consent from the Company.
  - 1.5 Employees may not make or offer to make payments to government

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officials or candidates for public office, either directly or indirectly, in order to obtain or retain an advantage in the business or other activities of the Company.

- 1.6 Employees should avoid holding or owning a substantial interest in a company, which is a competitor, customer or a supplier, or acts as a consultant to or is employed by a customer or supplier, unless the Employee has disclosed such interest to the Company and has obtained the relevant approval.

## 2. Protecting the Company's Assets

### 2.1 Confidential and Proprietary Information

2.1.1 Every Employee is responsible for protecting the Company's confidential and proprietary information. The obligation to preserve such information continues even after employment ends.

2.1.2 Protecting the confidentiality of sensitive information is a requirement for employment and is reflected in the Company's standard employment agreement. While much of the information about our customers is publicly available once it is published in print media, on the Internet or on other electronic media, Employees should be aware that they may have access to information that should only be discussed or revealed internally on a need-to-know basis.

### 2.2 Insider Information and Securities Trading

2.2.1 Employees at every level may see information that, if it became public, could affect the price of the Company's shares or the shares of another publicly listed company. Exam-

-2-

ples of such information would include new products or services, facility closings, expansions, or mergers and acquisitions. Revealing this information to anyone - even family members - before it is made public could subject the Employee and the Company to substantial civil and criminal penalties.

### 2.3 Use of Company's Resources

2.3.1 Every Employee is expected to use good judgment in the use of Company resources. Company assets and facilities should be used only for functions related to the business of Global Sources. Any personal use of company resources must be authorized and must not result in significant additional costs, or disruption of business processes, or other disadvantages to the Company.

## 3. Employees

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- 3.1 Fair Employment Practices
  - 3.1.1 Management is committed to carrying out policies promoting equal employment opportunities for all Employees.
- 3.2 Safety and Health Guidelines
  - 3.2.1 The Company is committed to providing a safe and healthy working environment for its Employees and its visitors.
  - 3.2.2 Each Employee is expected to report to work free from the influence of any substance that could prevent him or her from engaging in work activities safely and effectively.
  - 3.2.3 Each Employee is expected to know the safety procedures and regulations for his or her workplace.
- 3.3 Anti-harassment Guidelines
  - 3.3.1 Offensive behavior, discrimination and sexual harassment are not acceptable in the workplace, or at other employment related events or activities. An Employee who witnesses unacceptable activities or behavior is expected to report their occurrence to the appropriate authority in the Company.
- 4. Subcontractors, Representative Companies, Service Companies and Licensee Companies
  - 4.1 Ethical Business Relationship

The Company is committed to deal only with subcontractors, representative companies, service companies and licensee companies who themselves adhere to acceptable legal requirements, appropriate business practices and ethical performance in their business relationships.
- 5. Shareholders and Investors
  - 5.1 Accuracy of Company Records

The Company is committed to maintaining its books, invoices, records, accounts, financial statements, funds and assets in proper condition and to reflect fairly and accurately and in reasonable detail, the underlying transactions and disposition of the Company's business. Misrepresenting facts or falsifying records for any reason is not acceptable.
- 6. Community and Society
  - 6.1 Environmental Concerns
    - 6.1.1 The Company is committed to operating its facilities wherever they are located in compliance with applicable environmental, health and safety regulations.

6.2 Communicating with External Audiences

6.2.1 Requests for Company information from the media should be directed to Corporate Communications to ensure professional and consistent representation. Only those individuals designated by the Company may represent the Company in dealings with the public.

6.2.2 Requests for information from financial analysts and/or shareholders should be directed to Investor Relations for an appropriate response.

6.2.3 Every Employee is expected to cooperate with reasonable requests for information from government agencies and regulators, and to consult with the Legal Department before responding to any non-routine requests. All information provided for such requests should be responsive and accurate.

7. Governments

7.1 Compliance with Applicable Laws, Rules and Regulations

7.1.1 The Company conducts business globally where laws, customs, and social requirements may vary. In our business dealings, the Company is committed to abide by the laws, customs and norms of the host nations and communities in which we operate.

8. Reporting Violations of the Code

If any Employee feels that he or she has been unfairly treated or harassed by co-workers, supervisors in a work situation, or by fellow employees, or observes or has concerns about violations of this Code, or unethical or illegal activities, the Employee is encouraged to take appropriate and consistent action to report the concerns to his or her Supervisor or the Human Resources Department.

9. Questions

Any Employee who has any questions or requires any guidance regarding the Code is encouraged to contact his or her Supervisor. If an Employee is uncomfortable discussing the issue with his or her Supervisor, he or she may approach the Human Resources Department.

-4-

-2-

Exhibit 8.1

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SUBSIDIARIES OF GLOBAL SOURCES LTD.

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Name	Jurisdiction of Organization
----	-----
Global Sources Technologies Ltd.	Bermuda
Trade Media Holdings Limited	Cayman Islands
ASM Business Services Limited	Cayman Islands
AS Mediaconsult Limited	Republic of Cyprus
China Media Advertising, Inc.	Liberia
E-Commerce International Ltd.	Bermuda
Earldom Limited	British Virgin Islands
eMedia Asia Ltd.	Barbados
Earldom Computer Software (Shenzhen) Co., Ltd.	Peoples Republic of China
Equitable Accounting Services Limited	Hong Kong SAR
Event Marketing Services Limited	Hong Kong SAR
Export Media Ltd.	British Virgin Islands
Fertile Valley Pte Ltd.	Singapore
Floro Company Limited	Hong Kong SAR
Fortune Valley Ltd.	Mauritius
Global Capital Group Holdings Limited	British Virgin Islands
Global Sources Auctions Ltd.	Cayman Islands
Global Sources Auctions Limited	Hong Kong SAR
Global Sources Research Foundation Limited	British Virgin Islands
Hillcrest Services Limited	British Virgin Islands
Japan Publishing Limited	Japan
Lazenby Services Limited	British Virgin Islands
Global Sources USA, Inc.	USA - Delaware

Name	Jurisdiction of Organization
----	-----
Media Data Systems Pte Ltd.	Singapore
Media Productions Ltd.	Cayman Islands
Pine Grove B.V.	Netherlands
Publishers Representatives Limited	Hong Kong SAR
Steady Access Resources Limited	British Virgin Islands
Steady Information Consultant (Shenzhen) Co., Ltd	Peoples Republic of China
Targeted Marketing Promotions Corp.	Liberia
Trade Mag Europe S.A.	Belgium
Trade Management Software Limited	Cayman Islands
Trade Management Software (HK) Limited	Hong Kong SAR
Trade Magazine Productions Limited	Hong Kong SAR
Trade Media Limited	Cayman Islands
Trade Point Hong Kong Limited	Hong Kong SAR
World Executive's Digest Limited	Cayman Islands

-2-

Exhibit 12.4

Certification



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Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chapter 63, Title 18 U.S.C. ss.1350(a) and (b)), the undersigned hereby certifies in his capacity as an officer of Global Sources Ltd. (the "Company") that the Annual Report of the Company on Form 20-F for the year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the end of and for the periods covered by such Report.

Dated: May 5, 2003

/s/ MERLE A. HINRICHS

-----  
Merle A. Hinrichs  
Director, Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chapter 63, Title 18 U.S.C. ss.1350(a) and (b)), is not a part of the Form 20-F to which it refers and is, to the extent permitted by law, provided by the above signatory to the extent of his knowledge.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO GLOBAL SOURCES LTD. AND WILL BE RETAINED BY GLOBAL SOURCES AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

Exhibit 12.5

Certification

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chapter 63, Title 18 U.S.C. ss.1350(a) and (b)), the undersigned hereby certifies in his capacity as an officer of Global Sources Ltd. (the "Company") that the Annual Report of the Company on Form 20-F for the year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the end of and for the periods covered by such Report.

Dated: May 5, 2003

/s/ EDDIE HENG

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Eddie Heng  
Director and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chapter 63, Title 18 U.S.C. ss.1350(a) and (b)), is not a part of the Form 20-F to which it refers and is, to the extent permitted by law, provided by the above signatory to the extent of his knowledge.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO GLOBAL SOURCES LTD. AND WILL BE RETAINED BY GLOBAL SOURCES AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

EXHIBIT 12.6

[Letterhead of Ernst & Young]

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-104426 and 333-59058) pertaining to Global Sources Equity Compensation Plans Numbers, I, II, III, IV, V, VI and VII of our report dated March 28, 2003, with respect to the consolidated financial statements of Global Sources Ltd. and its subsidiaries for the year ended December 31, 2002 included in Annual Report (Form 20-F).

/s/ ERNST & YOUNG

Singapore

May 5, 2003