global sources

Annual Report 2002

www.globalsources.com

Creating and facilitating global trade between buyers and suppliers

Global Sources (Nasdaq: GSOL) creates and facilitates global trade between buyers and suppliers by providing the right information, at the right time, in the right format. Our integrated sourcing and marketing solutions enable importers to buy, and exporters to sell, more effectively and profitably.

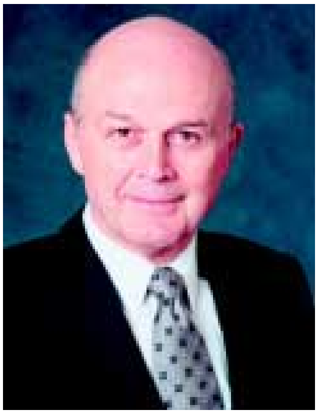
We aggregate and format industry-specific supplier and product information, then deliver this content to our buyer community worldwide through our leading network of 18 vertical marketplaces and 14 geographic portals, and through magazines, CD-ROMs, private catalogs and exhibitions. Our flagship marketplace, Global Sources Online (www.globalsources.com), hosts more marketing and sourcing activity than any other global merchandise trade marketplace.

2002 FINANCIAL HIGHLIGHTS

(In U.S. Dollars Thousands, Except Per Share Amounts and Earnings Per Share)	**Year Ended December 31,**	**Year Ended December 31,**	**%**
RESULTS OF OPERATIONS	**2002**	**2001**	**Change**
Revenues	$87,486	$95,285	(8)
Sales costs	29,592	32,047	(8)
Circulation costs	11,581	11,757	(1)
General and administrative	29,785	33,726	(12)
Online services development	5,378	8,393	(36)
Non-cash compensation & amortisation	6,304	5,977	5
Income from Operations	4,846	3,385	43
Income Tax Provision	720	1,143	(37)
Net Income	4,307	775	456
EBITDA	$16,399 (1)	$14,820 (2)	11
FINANCIAL POSITION			
Cash and cash equivalents	$37,208	$20,236	84
Total assets	62,650	53,602	17
Total liabilities	44,128	42,001	5
Shareholders' equity	$18,522	$11,601	60
OTHER INFORMATION			
Net cash provided by operating activities	$20,662	$15,464	34
Capital expenditures	4,193	4,874	(14)
Stock price	4.90	4.00	23
Earnings per share	$0.16	$0.03	433

(1) EBITDA before non-cash compensation expense

(2) EBITDA before non-cash compensation expense and write-down of investment



Merle A. Hinrichs
Chairman and
Chief Executive Officer

To Our Shareholders

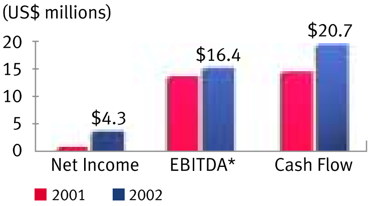
Fiscal 2002 has been a year of significant accomplishments and challenges at Global Sources. Despite the poor economic environment and severe economic downturns in Hong Kong and Taiwan, we have grown stronger, both operationally and financially. In particular, we have made substantial progress in mainland China, which is now our largest source of revenue, and the focus of our growth strategy.

Financial Results

I am pleased to report that Global Sources had another profitable year, with net income, cash flow from operations, and EBITDA all up from 2001. Net income for the year was $4.3 million on revenues of $87.5 million, up from $0.8 million on revenues of $95.3 million in 2001. Net income increased to 16 cents per share, from 3 cents per share in the prior year.

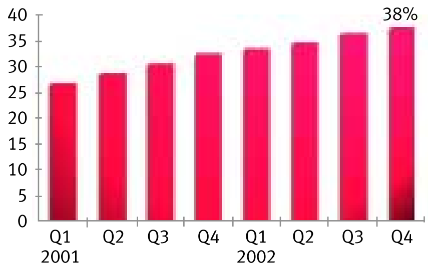
China sales were up 10%, reflecting both our expanding presence, as well as the increasing importance of the China supply market. China now accounts for 38% of our revenues, up from 27% in 2001.

Net Income, EBITDA and Cash Flow 2001/2002

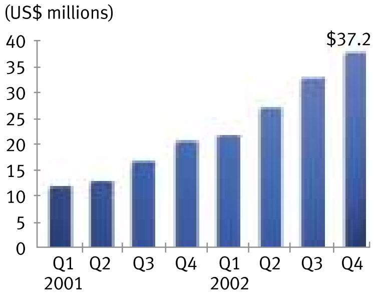


* 2001 EBITDA before non-cash compensation and write-down of investment; 2002 EBITDA before non-cash compensation expense.

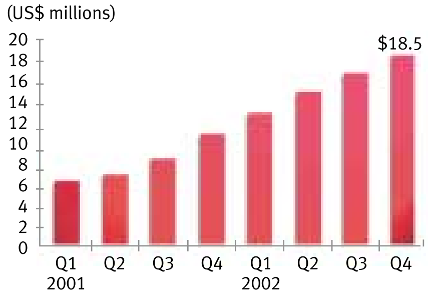
China Percent of Revenue



Total Cash Growth



Total Shareholders' Equity Growth

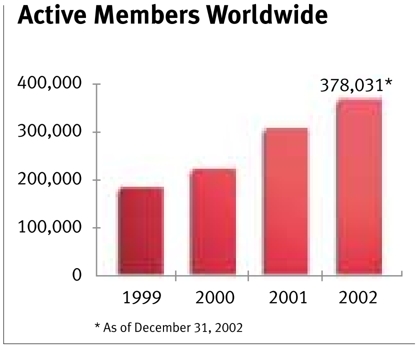


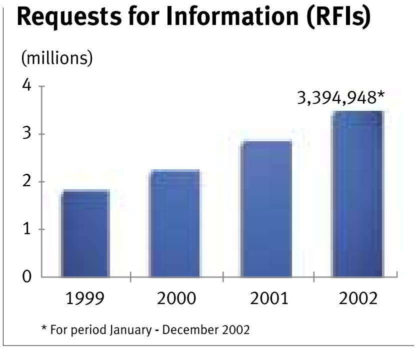
We reduced expenses substantially from last year and strengthened our balance sheet. Cash reserves grew 84% to $37 million, and we eliminated bank debt. As a result, shareholders' equity grew nearly 60% during the year.

Operating Metrics

Another measure of our progress is reflected by our key non-financial metrics. Growth in our buyer community and in Requests for Information (RFIs) gives us confidence that we are building the essential online marketplace for global trade.

Through Global Sources, suppliers have access to the largest community of active import buyers in the world. This community, which is certified with





Ernst & Young, increased to 378,031, up 23% from 2001. Requests for information received by suppliers through Global Sources Online grew 17% to 3,394,948.

China – Our Growth Market

China is now the sixth largest economy in the world. It has been powered by export growth – with exports surging by 22% in 2002 to $325 billion. However, equally important from our perspective, is China's emergence as a major importer. China's imports increased 21% to $295 billion with many of our strongest product verticals, such as electronic components, among the fastest growing sectors.

China's manufacturers have demonstrated their ability to produce a wide variety of goods at highly competitive price points. In the words of the Wall Street Journal[1], China "has become the world's factory floor, with an output so massive and wide-ranging that it exerts deflationary pressure around the globe on everything from textiles to TVs, mobile phones to mushrooms."

Membership in the World Trade Organization was a very important turning point for China. It provided more stability for buyers and eliminated the risk of losing "most favored nation" status. As a result, buyers made a massive shift of orders and investment into China in 2002.

[1] Wall Sreet Journal, October 10, 2002

Since many of the orders that shifted to China displaced exports from other Asian countries, we have had to reallocate more of our sales and customer service resources to support suppliers in China. Fortunately, our deep supplier relationships in the rest of Asia have been invaluable. Approximately half of China's exports are manufactured by foreign-owned companies and their joint ventures, many of which are long-standing customers of Global Sources.

Although China offers tremendous promise for sourcing, it is much more complex for buyers than traditional supply markets. With hundreds of thousands of potential suppliers spread over a wide geographic area, the costs of searching for, and evaluating suppliers are high. In addition, many of the Chinese suppliers have limited experience with overseas buyers, distribution channels, consumer expectations and export marketing.

Our objective is to help customers minimize these complexities. Or to put it another way, our total focus is to help buyers find the right suppliers – and to help suppliers effectively market themselves to buyers worldwide.

Unique Services Facilitate Two-way Trade

We have been building our infrastructure in China for over 20 years and now have more than 800 team members working from 42 locations. We are

Global Sources has more than 800 team members in 42 locations throughout mainland China alone. During 2002, we established client service centers in Beijing, Shanghai, Shenzhen, Hong Kong and Taipei that provide full content management and creative services to help suppliers effectively communicate their capabilities to buyers.

the preferred partner for suppliers since we are uniquely capable of assisting them with integrated marketing campaigns across a full range of media – supported by full content management and creative services.

As retailers, distributors, and manufacturers search for the best products at the most competitive prices, our sourcing services provide unrivalled access to the Asian supply market. According to Sally Herbert, the WorldWide Retail Exchange[2] Global Director of Member Engagement, "Members using the WWRE alliance program with Global Sources have reported double-digit savings as well as improved visibility into the supplier base in Asia." Global Sources Online, the leading global trade marketplace, and My Catalog are just two of these services.

We facilitate trade in the other direction – into China – through our joint venture with CMP. We publish industry-leading, local language magazines, such as Electronic Engineering Times – Asia and Electronic Buyers' News – China, along with their associated websites.

Global Sources meets the information needs of Asia's design engineers and China's procurement managers and business professionals with magazines, conferences and exhibitions, and websites.

We also publish Global Sources Chief Executive China and Chief Executive China Online for business leaders in China. In terms of both its audited circulation and revenue, Chief Executive China is the leading management publication in China.

[2] The Worldwide Retail Exchange is the premier Internet-based business-to-business exchange in the general merchandise, textile/home, and drug store sectors. Members consist of 63 retail industry leaders from around the world – with combined revenue of over $900 billion.

Our Competitive Advantage

Global Sources' success is predicated upon four fundamental factors.

Firstly, we have a very deep understanding of buyers and suppliers. For 32 years, we have been serving the sourcing and marketing needs of the global community of importers and exporters. In fact, our sales representatives make over 40,000 supplier visits monthly.

Secondly, we have in-depth knowledge of our product verticals. Our 3,700 product categories are organized into 18 vertical marketplaces that reflect global distribution channels and buying responsibilities.

A third factor is that we provide buyers with multiple country sources. This addresses their need to constantly search for more competitive products, suppliers and supply markets.

Lastly, we provide information to buyers in the media of their choice. Buyer preferences vary, and different media satisfy different needs. This multi-

Global Sources' English-language media include online marketplaces, industry-specific monthly magazines and specialized magazines with CD-ROMs.


Board of Directors, October 2000 to present: (seated, left to right) Merle Hinrichs, Sarah Benecke, Eddie Heng; (standing, left to right) Lynn Hazlett*, Jeffrey Steiner*, Roderick Chalmers*, David Jones*. (Note: * indicates independent director.)

media approach also enables suppliers to reach the greatest number of buyers worldwide.

Looking forward

There are four primary components of the company's growth strategy:

- Expand in China by facilitating two-way trade;
- Expand our services to Asia's high-tech manufacturers;
- Increase the adoption and functionality of our electronic catalog solutions; and
- Increase penetration rates among suppliers for existing services.

At the core of these growth strategies is one basic objective – to steadily increase the usage of our media. This is based on the belief that – as we bring together a critical mass of buyers and suppliers – our services 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.

As the market leader, we are ideally positioned to grow along with China's exports and imports. In addition, our financial condition is very strong, which positions us well for when economic conditions improve, and to take advantage of business opportunities that may present themselves. As a result, our shareholders have an opportunity to participate in one of the most significant macroeconomic developments since the industrial revolution.

We are very confident and excited about the long-term prospects for Global Sources. Global Sources is in the right place, at the right time, with the right products.

Sincerely,

Merle A. Hinrichs
Chairman and Chief Executive Officer

March 28, 2003

GLOBAL SOURCES LTD. AND SUBSIDIARIES

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December 31, 2002

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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 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

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

Singapore
February 28, 2002

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	At December 31 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 20,236	$ 37,208
Accounts receivable, net	5,710	4,169
Receivables from sales representatives	709	2,932
Receivables from related party sales representatives	2,900	-
Inventory of paper	856	545
Prepaid expenses and other current assets	1,122	1,147
Total Current Assets	**31,533**	**46,001**
Property and equipment, net	19,058	14,110
Intangible assets, net	3	-
Long term investments	100	100
Bonds held to maturity, at amortized cost	1,709	1,358
Other assets	1,199	1,081
Total Assets	**$ 53,602**	**$ 62,650**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,625	$ 4,284
Deferred income and customer prepayments	17,122	18,259
Accrued liabilities	5,127	5,361
Income taxes payable	164	368
Total Current Liabilities	**26,038**	**28,272**
Liabilities for incentive and bonus plans	1,434	1,025
Amount due to parent company	11,404	11,404
Minority interest	2,515	2,823
Deferred tax liability	610	604
Total Liabilities	**42,001**	**44,128**
Shareholder's equity:		
Ordinary shares, US$0.01 par value; 50,000,000 shares authorized; 26,308,949 (2001: 26,303,949) shares issued and outstanding	263	263
Additional paid in capital	80,196	80,486
Retained earnings/(deficit)	(61,987)	(57,680)
Less : Unearned compensation	(6,871)	(4,547)
Total shareholders' equity	**11,601**	**18,522**
Total liabilities and shareholders' equity	**$ 53,602**	**$ 62,650**

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

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 31,		
	2000	**2001**	**2002**
Revenues:			
Online services	$ 55,121	$ 55,468	$ 51,268
Other media services	46,748	39,010	35,587
Miscellaneous	1,184	807	631
	103,053	**95,285**	**87,486**
Operating Expenses:			
Sales	34,436	32,047	29,592
Circulation.	13,337	11,757	11,581
General and administrative	36,197	33,726	29,785
Online services development	6,665	8,393	5,378
Non-cash compensation expense (Note a)	65,689	2,501	2,564
Non-cash listing expenses	1,353	-	-
Amortization of intangibles/Software development cost	1,018	3,476	3,740
Total Operating Expenses	158,695	91,900	82,640
Income/(Loss) from Operations	**(55,642)**	**3,385**	**4,846**
Interest expense	(649)	(172)	-
Interest income	1,135	357	439
Foreign exchange gains (losses), net	50	(470)	50
Write-down of investments	(11,750)	(1,150)	-
Income/(Loss) before Income Taxes	**(66,856)**	**1,950**	**5,335**
Income Tax Provision	**(1,277)**	**(1,143)**	**(720)**
Income/(Loss) before Minority Interest	**$ (68,133)**	**$ 807**	**$ 4,615**
Equity in (loss)/income of affiliate	(51)	51	-
Minority interest	(37)	(83)	(308)
Net Income/(Loss)	**$ (68,221)**	**$ 775**	**$ 4,307**
Basic and diluted net income/(loss) per share	**$ (2.63)**	**$ 0.03**	**$ 0.16**
Shares used in basic and diluted net income / (loss) per share calculations (Note 14)	**25,948,028**	**26,303,949**	**26,308,154**

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.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In U.S. Dollars Thousands)

	Year Ended December 31,		
	2000	**2001**	**2002**
Cash flows from operating activities:			
Net income/(Loss)	$ (68,221)	$ 775	$ 4,307
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	4,069	8,934	8,989
(Profit)/Loss on sale of property and equipment	(23)	34	(1)
Accretion of U.S. Treasury strips zero % coupon	(139)	(122)	(99)
Bad debt expense	1,188	765	670
Non-cash compensation expense	65,689	2,501	2,564
Non-cash listing expenses	1,353	-	-
Income attributable to minority shareholder	37	83	308
Write-down of investments	11,750	1,150	-
Equity in loss/(income) of affiliate	51	(51)	-
Property and equipment written off	12	108	153
	15,766	14,177	16,891
Changes in assets and liabilities:			
Accounts receivables	(1,865)	1,328	871
Receivables from sales representatives	1,527	(153)	(2,223)
Receivables from related party sales representatives	651	538	2,900
Inventory of paper	(630)	357	311
Prepaid expenses and other current assets	1,459	646	(25)
Loan to chief executive officer	(5,350)	-	-
Repayment of loan from chief executive officer	5,350	-	-
Long term assets	(123)	147	118
Accounts payable	2,067	(1,911)	659
Accrued liabilities and liabilities for incentive and bonus plans	(2,987)	(1,061)	(175)
Deferred income and customer prepayments	750	1,234	1,137
Tax liability	298	162	198
Net cash provided by operating activities	**16,913**	**15,464**	**20,662**
Cash flows from investing activities:			
Purchase of long term investments	(13,000)	-	-
Purchase of property and equipment	(17,128)	(4,874)	(4,193)
Proceeds from sales of property and equipment	25	315	3
Proceeds from matured bonds	460	440	450
Capital contributed by minority shareholder in a joint venture	6,000	-	-
Net cash used for investing activities	**(23,643)**	**(4,119)**	**(3,740)**
Cash flows from financing activities:			
Short-term borrowings	13,260	-	-
Repayment of short-term borrowings	(9,260)	(4,000)	-
Amount received towards directors stock option plan	-	164	50
Additional capital contributed	24	-	-
Net cash generated from (used for) financing activities...	**4,024**	**(3,836)**	**50**
Net (decrease)/increase in cash and cash equivalents	(2,706)	7,509	16,972
Cash and cash equivalents, beginning of the year	15,433	12,727	20,236
Cash and cash equivalents, end of the year	**$ 12,727**	**$ 20,236**	**$ 37,208**
Supplemental cash flow disclosures:			
Income tax paid	$ 979	$ 981	$ 522
Interest paid	639	172	-

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

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

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

	Ordinary Shares					
	Number of Shares	Amounts	Additional paid in Capital	Retained Earnings	Unearned Compensation	Total Shareholders' Equity
Balance at December 31, 1999	**25,051,380**	**$ 251**	**-**	**$ 5,459**	**-**	**$ 5,710**
Net income	-	-	-	(68,221)	-	$ (68,221)
Issuance of shares upon share exchange	1,252,569	$ 12	$ 12	-	-	$ 24
Non-cash compensation expense	-	-	70,755	-	-	$ 70,755
Unearned compensation	-	-	-	-	(5,066)	$ (5,066)
Non-cash listing expenses	-	-	1,353	-	-	$ 1,353
Interest in Joint Venture	-	-	$ 3,606	-	-	$ 3,606
Balance at December 31, 2000	**26,303,949**	**$ 263**	**$ 75,726**	**$ (62,762)**	**$ (5,066)**	**$ 8,161**
Net income	-	-	-	775	-	$ 775
Non-cash compensation expense	-	-	4,306	-	-	$ 4,306
Unearned compensation	-	-	-	-	(1,805)	$ (1,805)
Amount received towards directors - stock option plan	-	-	164	-	-	$ 164
Balance at December 31, 2001	**26,303,949**	**$ 263**	**$ 80,196**	**$ (61,987)**	**$ (6,871)**	**$ 11,601**
Net income	-	-	-	4,307	-	$ 4,307
Non-cash compensation expense	-	-	240	-	-	$ 240
Unearned compensation	-	-	-	-	2,324	$ 2,324
Amount received towards directors - stock option plan	-	-	50	-	-	$ 50
Issuance of Shares under directors - stock option plan	5,000	-	-	-	-	-
Balance at December 31, 2002	**26,308,949**	**$ 263**	**$ 80,486**	**$ (57,680)**	**$ (4,547)**	**$ 18,522**

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

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.

(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.

(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.

(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.

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

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 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 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

Advertising expenses are expensed as incurred.

(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 bonus 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. The minority interest liability of $2,823 at December 31, 2002 reflects CMP's proportionate interest of the net book value of the eMedia Asia Ltd.

(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.

(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 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.

(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.

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

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 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
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	2002
Balance at beginning of year	$ 1,854	$ 2,400	$ 2,132
Charged to bad debt expenses	1,188	765	670
Write-off of bad debts	(642)	(1,033)	(836)
Balance at end of year	$ 2,400	$ 2,132	$ 1,966

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

	At December 31, 2001	At December 31, 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

4. Property and Equipment, net:

	At December 31, 2001	At December 31, 2002
Capital work-in progress	$ 33	$ 192
Leasehold improvements	6,635	6,806
Motor vehicles	72	98
Computer, fixtures, fittings and office equipment	21,781	22,463
Software development costs	11,821	14,723
Property and equipment, at cost	40,342	44,282
Less: Accumulated depreciation	(21,284)	(30,172)
	$ 19,058	$ 14,110

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 31, 2001	At December 31, 2002
Goodwill	$ 654	$ 654
Copyrights	3,706	3,706
	4,360	4,360
Less: Accumulated amortization	(4,357)	(4,360)
	$ 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.

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

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

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

	At December 31, 2001	At December 31, 2002
The amortized cost classified by date of contractual maturity is as follows:		
Due within one year	$ 430	$ 426
Due after one year through five years	1,059	854
Due after five years through ten years	220	78
	$ 1,709	$ 1,358
The fair value based on the market price, classified by date of contractual maturity is as follows:		
Due within one year	$ 444	$ 437
Due after one year through five years	1,137	964
Due after five years through ten years	230	86
	$ 1,811	$ 1,487

	At December 31, 2001	At December 31, 2002
Gross unrealized holding gains	$ 102	$ 129

7. Other Assets:

	At December 31, 2001	At December 31, 2002
Employee housing loans	$ 378	$ 270
Club memberships	498	514
Rental and utility deposits	323	297
	$ 1,199	$ 1,081

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

8. Current Liabilities:

	At December 31, 2001	At December 31, 2002
Deferred income and customer prepayments:		
Advertising	$ 13,963	$ 15,582
Subscription and others	3,159	2,677
	$ 17,122	$ 18,259

	At December 31, 2001	At December 31, 2002
Accrued liabilities:		
Salaries, wages and commissions	$ 1,442	$ 1,261
Retirement benefit plans	435	491
Current portion of liabilities for incentive and bonus plans	1,168	1,174
Others	2,082	2,435
	$ 5,127	$ 5,361

9. Liabilities for Incentive and Bonus Plans:

	At December 31, 2001	At December 31, 2002
Liability for long term discretionary bonus program	$ 1,434	$ 1,025

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 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 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 year ended December 31, 2000, 2001 and 2002, the Company has incurred costs of $79, $76 and $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.

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

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.

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,		
	2000	2001	2002
Cayman Islands	$ (3,593)	$ 401	$ 3,587
Foreign	(63,263)	1,549	1,748
	$ (66,856)	$ 1,950	$ 5,335

The provision for income taxes consists of:

	Year Ended December 31,		
	2000	2001	2002
Current tax expense:			
Cayman Islands	$ -	$ -	$ -
Foreign	1,277	1,143	720
Total provision	$ 1,277	$ 1,143	$ 720

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

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:

	Year Ended December 31,		
	2000	2001	2002
Income taxes at statutory rate	$ -	$ -	$ -
Foreign income and revenues taxed at higher rates	1,277	1,143	720
Total	$ 1,277	$ 1,143	$ 720
Effective tax rate	(1.91)%	58.62%	13.50%

Deferred tax assets consist of the following:

	At December 31,	
	2001	2002
Net operating loss carry forwards	$ 7,434	$ 7,460
Less: valuation allowance	(7,434)	(7,460)
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 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

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

December 31, 2002, the Company has 26,303,949 and 26,308,949 ordinary shares issued and outstanding respectively.

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 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

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

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.

(a) Segment Information

	Year Ended December 31,		
	2000	2001	2002
Revenues:			
Online services	$ 55,121	$ 55,468	$ 51,268
Other media services	46,748	39,010	35,587
Miscellaneous	1,184	807	631
Consolidated	$ 103,053	$ 95,285	$ 87,486

	Year Ended December 31,		
	2000	2001	2002
Income/(loss) from Operations:			
Online services	$ (24,625)	$ 5,958	$ 6,311
Other media services	(29,515)	(1,070)	(1,767)
Miscellaneous	(1,502)	(1,503)	302
Consolidated	$ (55,642)	$ 3,385	$ 4,846

	At December 31,	
	2001	2002
Identifiable Assets:		
Online services	$ 34,395	$ 39,497
Other media services	18,523	22,421
Miscellaneous	684	732
Consolidated	$ 53,602	$ 62,650

(b) Foreign Operations

	Year Ended December 31,		
	2000	2001	2002
Revenues:			
Asia	$ 95,388	$ 88,427	$ 81,456
United States	5,235	5,255	4,986
Europe	1,083	908	525
Other	1,347	695	519
Consolidated	$ 103,053	$ 95,285	$ 87,486

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

	At December 31,	
	2001	2002
Long-Lived Assets:		
Asia	$ 20,247	$ 15,285
United States	113	6
Consolidated	$ 20,360	$ 15,291

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 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 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 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.

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.

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 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.

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

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.

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 in accordance with APB 25 and SFAS 123, under ECP VII of approximately $538 are recognized over the six years vesting term from the award date.

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.

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

	ECP II		ECP III	ECP IV	ECP V	ECP VI	ECP VII
	Purchase Plan	**Gift Plan**	**Grant Plan**	**Grant Plan**	**Grant Plan**	**Grant Plan**	**Grant Plan**
Plan Inception	March, 2000	March, 2000	March, 2000	January, 2001	January, 2001	March, 2001	January, 2002
Number of Shares:							
At December 31, 1999	-	-	-	-	-	-	-
Original restricted shares granted in year 2000	80,887	212,526	104,184	-	-	-	-
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	78,300	-
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	78,300	-
Original restricted shares granted in year 2002	-	-	-	-	30,000	10,000	134,447
Shares forfeited to beneficial trustee	-	(9,884)	(2,279)	(38,719)	(28,400)	-	(9,192)
Balance at December 31, 2002	80,887	166,732	80,732	395,798	213,100	88,300	125,255
Grant Price Per Share	$ 24.00	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL
Weighted average fair value of the shares granted	$ 2.50	$ 26.50	$ 26.50	$ 8.67	$ 8.75	$ 4.13	$ 4.00

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.

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 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.

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.

Awards and accolades

200 Companies for 2002

Forbes Global

2002

200 Best Small Companies

Forbes Global

2001

Best B2B Site

Revolution Magazine

2001

Fittest 50 Award

Darwin Magazine

2001

Best B2B Internet Site

Internet World Asia Industry Awards

2001

Enterprise Award

DHL/SCMP Hong Kong Business Awards

2000

Gold Award, e-futurist Award

Standard Chartered Bank's e-nnovator of the Year Awards

2000

300 Best Small Companies, Top 20 Best Small Companies

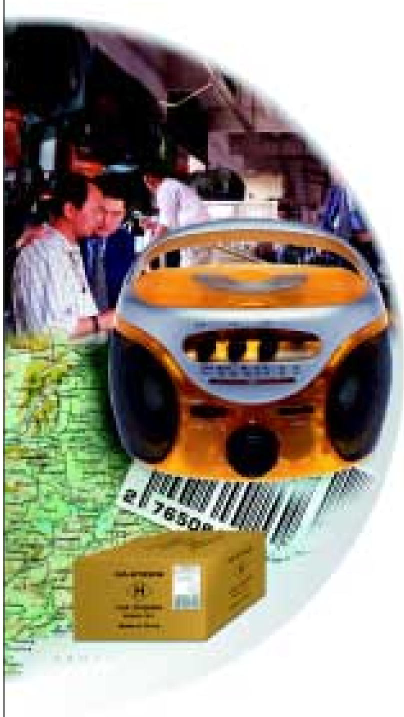
Forbes Global

2000

Our Mission

To create and facilitate global trade between buyers and suppliers, by providing the right information, at the right time, in the right format.

The right information



The right time

The right format

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