global sources

Annual Report 2003

www.globalsources.com

Creating and facilitating global trade between buyers and suppliers

Global Sources is a leading business-to-business media company that provides essential information and integrated marketing services. The company's 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.

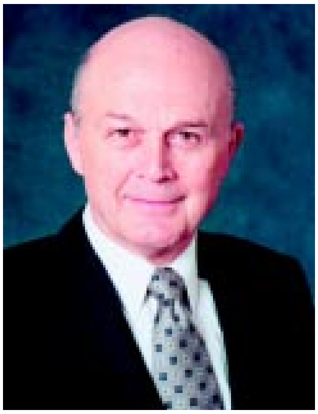
We deliver content to our communities worldwide through our leading network of nine vertical marketplaces and 13 geographic portals, and through magazines, CD-ROMs, and private catalogs, as well as *China Sourcing Fairs* and technical events. Our flagship marketplace, *Global Sources Online* (www.globalsources.com), hosts more marketing and sourcing activity than any other global merchandise trade marketplace.

FINANCIAL HIGHLIGHTS

(In Thousands of U.S. Dollars, Except Per Share Amounts and Earnings Per Share)	**Year Ended December 31,**	**Year Ended December 31,**	
RESULTS OF OPERATIONS	**2003**	**2002**	**% Change**
Revenues	$91,669	$87,486	5
Sales costs	30,113	28,659	(5)
Event production	930	933	0
Community	12,331	12,481	1
General and administrative	28,682	28,885	1
Online services development	4,960	5,378	8
Non-cash compensation & amortization	5,872	6,304	7
Income from operations	8,781	4,846	81
Income tax provision	668	720	7
Net income	7,334	4,307	70
EBITDA	$18,709 (1)	$16,399 (1)	14
FINANCIAL POSITION			
Cash and cash equivalents	$26,227	$11,009	138
Available-for-sale securities	35,140	26,199	34
Total assets	82,541	62,650	32
Total liabilities	54,561	44,128	(24)
Shareholders' equity	$27,980	$18,522	51
OTHER INFORMATION			
Net cash provided by operating activities	$25,323	$20,662	23
Capital expenditures	2,307	4,193	45
Stock price	7.05 (2)	4.9 (2)	44
Earnings per share	$ 0.25	$ 0.15	67

(1) EBITDA before non-cash compensation expense

(2) Stock price is based on last trading day of the year.

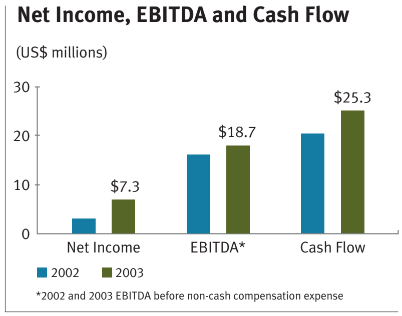


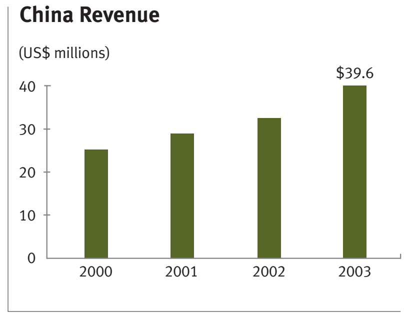
Merle A. Hinrichs
Chairman and
Chief Executive Officer

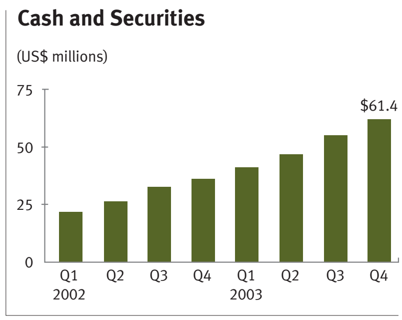
Dear Shareholders,

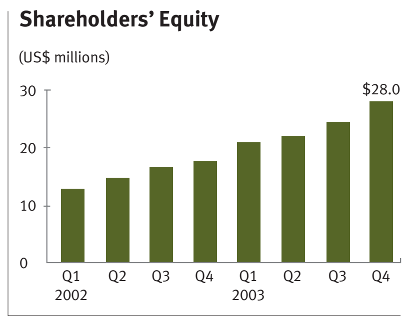
It is my pleasure to report that 2003 was an excellent year for Global Sources. The financial highlights are:

- Revenues for the year totaled US$91.7 million, an increase of 5%
- China revenues increased by 26% year-on-year
- Net income was up 70% to US$7.3 million
- Cash and securities grew 65% to US$61.4 million









As a result of our performance, in February 2004, Global Sources' Board of Directors declared a 1-for-10 bonus share issue on Global Sources' outstanding common shares.

We achieved our strong performance by providing online marketplaces, business-to-business publications, and by launching our first *China Sourcing Fair*. This trade show was very successful, with nearly 600 booths and 15,000 buyers in attendance from 106 countries and territories.

What we do

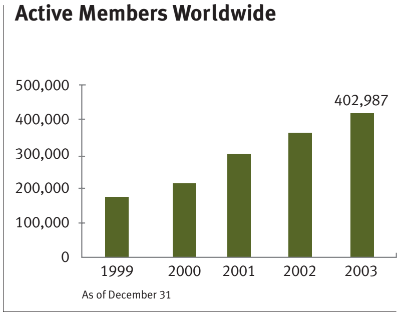
Global Sources promotes the products and services of suppliers to volume buyers worldwide. The majority of our supplier customers are located in Greater China, which is comprised of mainland China, Hong Kong and Taiwan. The products these suppliers offer for sale range from consumer products to electronic components. They frequently introduce new products and actively seek new buyers and markets. Their objective is to make sure their products are seen by, and sold to, buyers that will provide them the best price and the right order size.

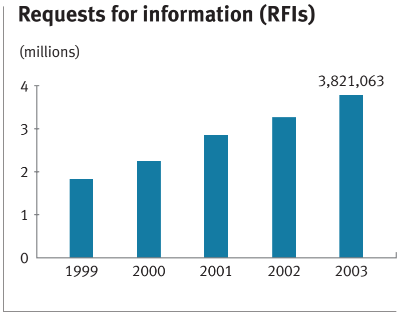
Global Sources has successfully provided marketing services to suppliers throughout Asia for over 33 years and to China-based suppliers for over

20 years. With the most respected brand in our business and our full range of media, our objective is to help suppliers implement marketing campaigns that deliver great impact and, ultimately, the best return on their investment. As an illustration for just one of the vertical markets we serve, we offer a *Gifts & Home Products* online marketplace, CD-ROM, trade magazine and trade show.

Given the highly competitive nature of global retail markets, buyers must remain constantly on the alert for the most attractive purchasing opportunities. Our buying community actively pursues new suppliers to compare both pricing and quality of products with their existing suppliers and to identify and purchase new product lines appropriate to their distribution channels.

Users of our publications or online marketplaces represent a growing, independently certified community of over 402,000 active buyers, from some 230 countries and territories. In addition to the size of our buyer community and overall revenue growth, our success can be measured by the requests for information (RFIs) buyers send to suppliers through *Global Sources Online*. During 2003, we facilitated over 3.8 million RFIs, a 12% increase over 2002.





Global Sources also produces publications, websites and trade shows specific to the needs of electronics engineers and electronic component buyers in Asia. *Electronic Buyers' News* and *Electronic Engineering Times* are Chinese language media, with the latter also published in English and Korean. Global Sources also publishes *Chief Executive China*, the largest audited business magazine in China, with 136,200 readers.

The future

In 2004, we see five key trends impacting our buyer community and, therefore, determining suppliers' marketing requirements:

- China's expanding role in the global economy. This means that for most global merchandisers to remain competitive, it is essential that they buy either directly or indirectly from China.
- Greater diversity and quality of products manufactured in China.
- Continued globalization under the World Trade Organization.
- Substantial direct investment in manufacturing in China.
- China's emergence as a major importer and consumer market.

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.)

Our growth strategy

- Increase market penetration: We will grow our sales organization and client service centers.
- Product development: We will launch new trade shows for the export market, including six *China Sourcing Fairs* in 2004.
- Acquisitions and alliances: We will actively seek synergistic mergers, acquisitions and alliances that will help us realize our strategic goals.
- Integrated marketing communications: We will continue to offer coordinated media solutions to our suppliers.

GSOL – a good investment

As further support of our leadership position, Global Sources maintains a very diversified customer base, with no one customer representing more than 2% of total revenue. We serve a very diverse range of growth markets, from hi-tech imports into Greater China to the China export sectors for electronics, fashion accessories, hardware, gifts and home products. Consequently, our shareholders have an opportunity to participate in one of the most significant economic growth opportunities in decades – China. In fact, we believe Global Sources is an ideal proxy for investing in China's expanding economy.

We are very confident about the near- and long-term prospects for Global Sources. The company is very well positioned to capitalize on the underlying strengths and assets of our business. Uptake of our integrated marketing solutions will increase the size and loyalty of the communities we serve.

In closing, we want to take this opportunity to recognize the exceptional efforts and commitment shown by our Board of Directors and our team members during the past year. I thank everyone at Global Sources for their contributions, determination, and teamwork, which were so instrumental in achieving our objectives in 2003.

Sincerely,

Merle A. Hinrichs
Chairman and CEO

March 31, 2004

GLOBAL SOURCES LTD. AND SUBSIDIARIES

Index to Consolidated Financial Statements
December 31, 2003

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, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the two years in the period ended December 31, 2003. 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, 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 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, 2003 and 2002, and the consolidated results of their operations and cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ ERNST & YOUNG

Singapore
March 10, 2004

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.

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/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 2002	At December 31 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,009	$ 26,227
Available-for-sale securities	26,199	35,140
Accounts receivable, net	4,169	4,507
Receivables from sales representatives	2,932	3,883
Inventory of paper	545	703
Prepaid expenses and other current assets	1,147	1,883
Total Current Assets	**46,001**	**72,343**
Property and equipment, net	14,110	7,870
Long term investments	100	100
Bonds held to maturity, at amortized cost	1,358	992
Other assets	1,081	1,236
Total Assets	**$ 62,650**	**$ 82,541**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 4,284	$ 4,432
Deferred income and customer prepayments	18,259	27,454
Accrued liabilities	5,361	5,803
Income taxes payable	368	804
Total Current Liabilities	**28,272**	**38,493**
Liabilities for incentive and bonus plans	1,025	682
Amount due to parent company	11,404	-
Amount due to a shareholder	-	11,404
Minority interest	2,823	3,684
Deferred tax liability	604	298
Total Liabilities	**44,128**	**54,561**
Shareholders' Equity:		
Common shares, US$0.01 par value; 50,000,000 shares authorized; 28,945,344 (2002: 28,939,844) shares issued and outstanding	289	289
Additional paid in capital	80,460	81,925
Retained deficit	(57,680)	(50,346)
Less : Unearned compensation	(4,547)	(4,563)
Accumulated other comprehensive income	-	675
Total Shareholders' Equity	**18,522**	**27,980**
Total Liabilities and Shareholders' Equity	**$ 62,650**	**$ 82,541**

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,		
	2001	**2002**	**2003**
Revenues:			
Online services	$ 55,468	$ 51,268	$ 51,367
Other media services	36,391	33,132	36,318
Exhibitions	2,619	2,455	3,327
Miscellaneous	807	631	657
	95,285	**87,486**	**91,669**
Operating Expenses:			
Sales	31,236	28,659	30,113
Event production	811	933	930
Community	12,735	12,481	12,331
General and administrative	32,748	28,885	28,682
Online services development	8,393	5,378	4,960
Non-cash compensation expense (Note a)	2,501	2,564	1,419
Amortization of intangibles/Software development cost	3,476	3,740	4,453
Total Operating Expenses	91,900	82,640	82,888
Income from Operations	**3,385**	**4,846**	**8,781**
Interest expense	(172)	-	-
Interest income	357	439	122
Loss on sale of available-for-sale securities	-	-	(40)
Foreign exchange gains (losses), net	(470)	50	-
Write-down of investments	(1,150)	-	-
Income before Income Taxes	**1,950**	**5,335**	**8,863**
Income Tax Provision	**(1,143)**	**(720)**	**(668)**
Net Income before Minority Interest	**$ 807**	**$ 4,615**	**$ 8,195**
Equity in income of affiliate	51	-	-
Minority interest	(83)	(308)	(861)
Net Income	**$ 775**	**$ 4,307**	**$ 7,334**
Basic net income per share	**$ 0.03**	**$ 0.15**	**$ 0.25**
Shares used in basic net income per share calculations (Note 1(u))	**28,934,344**	**28,938,970**	**28,944,470**
Diluted net income per share	**$ 0.03**	**$ 0.15**	**$ 0.25**
Shares used in diluted net income per share calculations (Note 1(u))	**28,934,344**	**28,940,309**	**28,979,339**

Note: a. Reflects the non-cash compensation expenses associated with the employee equity compensation plans. Approximately $323 (2002: $623, 2001: $381) represents sales expenses, $96 (2002: $238, 2001: $87) represents community, $691 (2002: $1,179, 2001: $1,546) represents general and administrative and $309 (2002: $524, 2001: $487) 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,		
	2001	**2002**	**2003**
Cash flows from operating activities:			
Net income	$ 775	$ 4,307	$ 7,334
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,934	8,989	8,509
Loss/(Profit) on sale of property and equipment	34	(1)	(7)
Accretion of U.S. Treasury strips zero % coupon	(122)	(99)	(74)
Loss on sale of available-for-sale securities	-	-	40
Bad debt expense	765	670	202
Non-cash compensation expense	2,501	2,564	1,419
Income attributable to minority shareholder	83	308	861
Write-down of investments	1,150	-	-
Equity in income of affiliate	(51)	-	-
Property and equipment written off	108	153	12
	14,177	16,891	18,296
Changes in assets and liabilities:			
Accounts receivables	1,328	871	(540)
Receivables from sales representatives	(153)	(2,223)	(951)
Receivables from related party sales representatives	538	2,900	-
Inventory of paper	357	311	(158)
Prepaid expenses and other current assets	646	(25)	(742)
Long term assets	147	118	(155)
Accounts payable	(1,911)	659	148
Accrued liabilities and liabilities for incentive and bonus plans	(1,061)	(175)	99
Deferred income and customer prepayments	1,234	1,137	9,195
Tax liability	162	198	131
Net cash provided by operating activities	**15,464**	**20,662**	**25,323**
Cash flows from investing activities:			
Purchase of property and equipment	(4,874)	(4,193)	(2,307)
Proceeds from sales of property and equipment	315	3	32
Proceeds from matured bonds	440	450	440
Purchase of available-for-sale securities	-	(26,199)	(19,300)
Proceeds from sale of available-for-sale securities	-	-	11,000
Net cash used for investing activities	**(4,119)**	**(29,939)**	**(10,135)**
Cash flows from financing activities:			
Repayment of short-term borrowings	(4,000)	-	-
Amount received towards directors purchase plan	164	50	30
Net cash (used for)/generated from financing activities	**(3,836)**	**50**	**30**
Net increase/(decrease) in cash and cash equivalents	7,509	(9,227)	15,218
Cash and cash equivalents, beginning of the year	12,727	20,236	11,009
Cash and cash equivalents, end of the year	**$ 20,236**	**$ 11,009**	**$ 26,227**
Supplemental cash flow disclosures:			
Income tax paid	$ 981	$ 522	$ 537
Interest paid	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)

	Common shares						
	Number of shares	**Amounts**	**Additional paid in capital**	**Retained deficit**	**Unearned compensation**	**Accumulated other comprehensive income**	**Total shareholders' equity**
Balance at December 31, 2000.....	**28,934,344**	**$ 289**	**$ 75,700**	**$ (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 - purchase plan................................	-	-	164	-	-	-	$ 164
Balance at December 31, 2001.....	**28,934,344**	**$ 289**	**$ 80,170**	**$ (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 - purchase plan..............................	-	-	50	-	-	-	$ 50
Issuance of shares under directors - purchase plan................................	5,500	-	-	-	-	-	-
Balance at December 31, 2002.....	**28,939,844**	**$ 289**	**$ 80,460**	**$ (57,680)**	**$ (4,547)**	**-**	**$ 18,522**
Net income.......................................	-	-	-	7,334	-	-	$ 7,334
Non-cash compensation expense.....	-	-	1,435	-	-	-	$ 1,435
Unearned compensation..................	-	-	-	-	(16)	-	$ (16)
Amount received towards directors - purchase plan................................	-	-	30	-	-	-	$ 30
Issuance of shares under directors - purchase plan................................	5,500	-	-	-	-	-	-
Loss realized on sale of available-for-sale securities, net of income tax of $Nil.....................................	-	-	-	-	-	40	$ 40
Unrealized gain on available-for-sale securities, net of income tax of $Nil...	-	-	-	-	-	635	$ 635
Balance at December 31, 2003.....	**28,945,344**	**$ 289**	**$ 81,925**	**$ (50,346)**	**$ (4,563)**	**$ 675**	**$ 27,980**

The accompanying notes are an integral part of these 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. Prior to December 2, 2003, the Company was majority owned by Hung Lay Si Co Ltd. (the "Former Parent Company"). The Former Parent Company is a company organized under the laws of 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 depositive power over the shares of capital stock of the Former Parent Company owned by the trust. On November 27, 2003, the chairman and chief executive officer of the Company acquired 15,033,846 common shares of the Company representing 51.9 percent of the outstanding common shares of the Company, from the Former Parent Company. On December 2, 2003, the shares transfer was completed and as a result the chairman and chief executive officer is the beneficial owner of 19,455,543 or 67.2 percent of the Company's outstanding common shares and he has the sole power to vote the shares beneficially owned by him. As a consideration of the purchase of the common shares, the chairman and chief executive officer has agreed to pay the Former Parent Company $109,337, payable on November 27, 2013, with a right to prepay such amount at anytime. Pending payment of the said amount, the Former Parent Company will have a security interest in common shares of the Company held by the chairman and chief executive officer of the Company.

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 launched China Sourcing Fairs exhibitions in 2003. These offer international buyers direct access to China and other Asian manufacturers. The Company's businesses are conducted primarily through Trade Media Limited, 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 China Sourcing Fairs exhibitions, 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 financial statements 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) Available-for-sale Securities

Short-term investments in marketable securities are classified as available-for-sale securities. Investments classified as available-for-sale securities are carried at market value with any unrealized holding gains and losses, net of related tax effect if any, presented under shareholders' equity as accumulated other comprehensive income.

Realized gains and losses and declines in values judged to be other-than-temporary on available-for-sale securities are included in the statement of income. The cost of securities sold is based on the average cost method.

(e) Inventory of Paper

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

(f) 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 are expensed as incurred.

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

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 ends when the product is available for general release to customers.

The Company expensed $1,117, $64 and $38 during the years ended December 31, 2001, 2002 and 2003, 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.

(g) 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 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.

Intangible Assets, net:

	At December 31,	
	2002	**2003**
Goodwill	$ 654	$ 654
Copyrights	3,706	3,706
	4,360	4,360
Less: Accumulated amortization	(4,360)	(4,360)
	$ -	$ -

(h) Long Term 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 the equity method.

Interests 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.

(i) 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 as of December 31, 2003.

(j) 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 exhibitions and business seminars.

Revenues from advertising in trade magazines and websites are recognized ratably over the period in which the advertisement is displayed. Advertising contracts do not exceed one year. When advertising fees from published trade magazines and websites are contracted under a single arrangement, the Company allocates the total advertising fees to the multiple deliverables based on their relative fair values. The fair value of the revenues from published trade magazines and websites is based on the Company's average historical selling prices. 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 exhibitions and business seminars is recognized at the conclusion of the event and the related direct event production costs and direct event promotion costs are deferred and recognized as expenses upon conclusion of the event.

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 over 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.

(k) 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 representatives 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 and 2003, the Company does not have any nominated directors on the board of directors of any of the Company's sales representative companies. Approximately $20,172, $9,986 and $NIL of the commissions and marketing fees expense was associated with these related party sales representative companies for 2001, 2002 and 2003, respectively.

(l) Advertising Expenses

Advertising expenses are expensed as incurred. The Company incurred advertising expenses of $277, $161 and $244 during the years ended December 31, 2001, 2002 and 2003, respectively.

(m) 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.

(n) Liabilities for Bonus Plan

Before the commencement of the Equity Compensation Plans as described in note 22, 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.

(o) Retirement Benefits

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

(p) 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.

(q) Minority Interest

In 2000, the Company entered into an agreement with CMP Media Inc., through United Professional Media B.V. (previously known as 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. Pursuant to an internal restructuring within the CMP group, United Professional Media B.V.'s 39.9% interest in eMedia Asia Ltd. and associated obligations were novated and assigned to UBM Asia B.V. (another subsidiary within the CMP group) in October 2003. 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, 2003, 2002 and 2001. The minority interest liability of $3,684 and $2,823 at December 31, 2003 and 2002, respectively, reflects CMP's proportionate interest of the net book value of eMedia Asia Ltd.

(r) 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, 2002 and 2003.

(s) Segment Reporting

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" 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 three reportable segments: online services, other media services and exhibitions.

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

(t) 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.

Accumulated other comprehensive income consists of the following:

	Year Ended December 31,		
	2001	**2002**	**2003**
Unrealized gain on available-for-sale securities, net of income tax of $Nil	$ -	$ -	$ 635
Loss realized on sale of available-for-sale securities, net of income tax of $Nil	$ -	$ -	$ 40
Accumulated other comprehensive income	$ -	$ -	$ 675

(u) 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 common shares outstanding during the period. Diluted net income per share is calculated using the weighted average number of outstanding common shares, plus other dilutive potential common shares.

The following table reconciles the number of shares utilized in the net income per share calculations:

	Year Ended December 31,		
	2001	**2002**	**2003**
Net income	$ 775	$ 4,307	$ 7,334
Basic net income per share	$ 0.03	$ 0.15	$ 0.25
Diluted net income per share	$ 0.03	$ 0.15	$ 0.25
Weighted average common shares outstanding, used in basic net income per share calculation	28,934,344	28,938,970	28,944,470
Effect of dilutive shares	-	1,339	34,869
Weighted average common shares outstanding, used in diluted net income per share calculation	28,934,344	28,940,309	28,979,339
Antidilutive share options	21,500	16,000	-

Antidilutive share options had exercise prices greater than the average market price during the year, and due to the net loss in first quarter of 2001.

(v) 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 APB No. 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 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 No. 25.

(w) Allowance for Doubtful Debts

The Company estimates the collectibility of the accounts receivable based on the analysis of accounts receivable, historical bad debts, customer credit-worthiness and current economic trends and maintains adequate allowance for doubtful debts.

(x) Recent Accounting Pronouncements

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 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 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.

In January 2003, FASB issued FIN No. 46, "Consolidation of Variable Interest Entities". FIN 46 requires a beneficiary to consolidate a variable interest entity ("VIE") if it is the primary beneficiary of that entity. The primary beneficiary is defined as having a variable interest in a VIE that will absorb a majority of the entity's expected losses if they occur, receives a majority of the entity's expected residual returns if they occur, or both. In December 2003, FASB completed deliberations of proposed modifications to FIN 46 ("Revised Interpretations") resulting in multiple effective dates based on the nature as well as the creation date of the VIE. VIEs created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. However, the Revised Interpretations must be applied no later than the Company's first quarter of fiscal 2004. VIEs created after December 31, 2003 must be accounted for under the Revised Interpretations. Special Purpose Entities ("SPEs") created prior to February 1, 2003, may be accounted for under the original or revised interpretation's provisions no later than the first period ending after December 15, 2003. Non-SPEs created prior to February 1, 2003, should be accounted for under the revised interpretation's provisions no later than the Company's first quarter of fiscal 2004. We believe that the adoption of FIN 46 will 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 November 2002, the EITF reached consensus on EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables", which addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The final consensus of EITF 00-21 is applicable to agreements entered into in fiscal periods beginning after June 15, 2003. We believe that the adoption of EITF 00-21 does not have a material impact on the Company's financial statements of position, results of operations or cash flows.

3. Available-for-sale Securities:

	At December 31, 2002	At December 31, 2003
Cost	$ 26,199	$ 34,465
Unrealized holding gain	-	675
Fair value	$ 26,199	$ 35,140

4. Current Assets:

	At December 31, 2002	At December 31, 2003
Accounts receivable:		
Gross trade receivables	$ 6,135	$ 6,604
Less: Allowance for doubtful debts	(1,966)	(2,097)
	$ 4,169	$ 4,507

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

Movements in allowance for doubtful debts:

	Year Ended December 31, 2001	2002	2003
Balance at beginning of year	$ 2,400	$ 2,132	$ 1,966
Charged to bad debt expenses	765	670	202
Write-off of bad debts	(1,033)	(836)	(71)
Balance at end of year	$ 2,132	$ 1,966	$ 2,097

	At December 31, 2002	2003
Prepaid expenses and other current assets:		
Unsecured employee loans and other debtors	$ 108	$ 73
Prepaid expenses	284	324
Deferred expenses	-	535
Other current assets	755	951
	$ 1,147	$ 1,883

5. Property and Equipment, net:

	At December 31, 2002	2003
Capital work-in-progress	$ 192	$ -
Leasehold improvements	6,806	6,936
Motor vehicles	98	191
Computers, fixtures, fittings and office equipment	22,463	22,866
Software development costs	14,723	15,664
Property and equipment, at cost	44,282	45,657
Less: Accumulated depreciation	(30,172)	(37,787)
	$ 14,110	$ 7,870

Depreciation expense for the years ended December 31, 2001, 2002 and 2003 was $5,458, $5,249 and $4,056, respectively and the amortization of Software development cost for the years ended December 31, 2001, 2002 and 2003 was $3,106, $3,737 and $4,453 respectively.

6. Long-term Investments and Bonds Held to Maturity:

(i) As at December 31, 2003, 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.

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

During the year 2001, the Company recorded a $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 and 2003 was $100. The Company will continue to evaluate this investment for impairment.

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

	At December 31, 2002	At December 31, 2003
The amortized cost classified by date of contractual maturity is as follows:		
Due within one year	$ 426	$ 364
Due after one year through five years	854	628
Due after five years through ten years	78	-
	$ 1,358	$ 992

	At December 31, 2002	At December 31, 2003
The fair value based on the market price, classified by date of contractual maturity is as follows:		
Due within one year	$ 437	$ 380
Due after one year through five years	964	691
Due after five years through ten years	86	-
	$ 1,487	$ 1,071

	At December 31, 2002	At December 31, 2003
Gross unrealized holding gains	$ 129	$ 79

7. Other Assets:

	At December 31, 2002	At December 31, 2003
Employee housing loans	$ 270	$ 231
Club memberships	514	514
Rental, utility and other deposits	297	491
	$ 1,081	$ 1,236

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

8. Current Liabilities:

	At December 31, 2002	At December 31, 2003
Deferred income and customer prepayments:		
Advertising	$ 15,582	$ 19,475
Exhibitions, subscription and others	2,677	7,979
	$ 18,259	$ 27,454

	At December 31, 2002	At December 31, 2003
Accrued liabilities:		
Salaries, wages and commissions	$ 1,261	$ 1,239
Retirement benefit plans	491	548
Current portion of liabilities for incentive and bonus plans	1,174	1,106
Others	2,435	2,910
	$ 5,361	$ 5,803

9. Liabilities for Incentive and Bonus Plans

	At December 31, 2002	At December 31, 2003
Liability for long term discretionary bonus program	$ 1,025	$ 682

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 $270 and $231 as of December 31, 2002 and 2003 respectively. Loans due from employees for lease of residences were $81 and $61 as of December 31, 2002 and 2003, respectively. There were no other loans due from the Company's directors and executive officers as at December 31, 2002 and 2003. Other temporary advances to staff, which are generally re-payable within twelve months, were $26 and $14 as of December 31, 2002 and 2003, respectively.

The Company leases certain office facilities from subsidiaries of the Former Parent Company under cancelable and non-cancelable operating leases that include both rental and building maintenance services. During the years ended December 31, 2001, 2002 and 2003, the Company incurred rental and building management services expenses of $1,044, $1,048 and $756 respectively, with respect to these office facilities.

The Company also receives legal, secretarial and treasury management consultancy services from subsidiaries of the Former Parent Company. During the year ended December 31, 2001, 2002 and 2003, the Company incurred such legal, secretarial and treasury management consultancy services expenses of $464, $275 and $259 respectively.

The Company had $11,404 and $11,404 due to the Former Parent Company as of December 31, 2002 and 2003, respectively. Due to the disposal of the shares by the Former Parent Company to the Company's chairman and chief executive officer discussed in Note 1, this liability as at December 31, 2003 was reclassified and disclosed as "Amount due to a shareholder" in the Company's consolidated balance sheet as at December 31, 2003. The amount due to the Former 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 Former 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.

In addition to the transactions with related party sales representatives discussed in Note 2(k), the Company provided technical services to these sales representatives for a fee. During the year ended December 31, 2001, 2002 and 2003, the Company derived such service fees of $259, $156 and $NIL respectively. During the years ended December 31, 2001, 2002 and 2003, the Company has incurred costs of $76, $47 and $NIL 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, 2001, 2002 and 2003. 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, 2001, 2002 and 2003 were $78, $128 and $116 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, 2002 and 2003 were $447 and $520, respectively.

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

The Company incurred costs of $1,085, $1,101 and $1,102 with respect to the retirement plans in the years ended December 31, 2001, 2002 and 2003, 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 before income taxes consists of:

	Year Ended December 31,		
	2001	2002	2003
Cayman Islands	$ 401	$ 3,587	$ 5,420
Foreign	1,549	1,748	3,443
	$ 1,950	$ 5,335	$ 8,863

The provision for income taxes consists of:

	Year Ended December 31,		
	2001	2002	2003
Current tax expense:			
Cayman Islands	$ -	$ -	$ -
Foreign	987	726	974
Deferred tax expense:			
Cayman Islands	-	-	-
Foreign	156	(6)	(306)
Total provision	$ 1,143	$ 720	$ 668

The provision for income taxes for the years ended December 31, 2001, 2002 and 2003 differed from the amount computed by applying the statutory income tax rate of 0% as follows:

	Year Ended December 31,		
	2001	2002	2003
Income taxes at statutory rate	$ -	$ -	$ -
Foreign income and revenues taxed at higher rates	1,143	720	668
Total	$ 1,143	$ 720	$ 668
Effective tax rate	58.62%	13.50%	7.54%

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

Deferred tax assets consist of the following:

	At December 31,	
	2002	2003
Net operating loss carry forwards	$ 7,460	$ 7,462
Less: valuation allowance	(7,460)	(7,462)
Deferred tax assets	$ -	$ -

The Company recorded a full valuation allowance for the deferred tax assets due to the uncertainty as to their ultimate realization. The net change in valuation allowance for the years ended December 31, 2001, 2002 and 2003 was a (decrease)/increase of approximately ($91), $26 and $2, respectively, resulting primarily from net operating losses incurred by some of the subsidiaries during the respective years.

As of December 31, 2003 and 2002, 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 $604 and $298 as at December 31, 2002 and 2003, respectively, which primarily arose from the temporary differences between the financial reporting and the tax bases of property and equipment in one of the subsidiaries of the Company.

14. Share Capital

On April 14, 2000, in conjunction with the Share Exchange Agreement dated December 6, 1999, Fairchild (Bermuda), Ltd. issued 27,556,518 common 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 2,756 to 1 stock split. In addition, Fairchild (Bermuda), Ltd. issued 68,891 common shares and 1,308,935 common 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 and 2003, the Company issued 5,500 and 5,500 common shares, respectively, under the Directors Purchase Plan. The authorized share capital of the Company as at December 31, 2002 and 2003 is 50,000,000 common shares of $0.01 par value. As at December 31, 2002 and at December 31, 2003, the Company has 28,939,844 and 28,945,344 common shares issued and outstanding, respectively.

15. Fair Value of Financial Instruments

The carrying amounts of the Company’s cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short maturities. The fair value of available-for-sale securities is disclosed in Note 3. The fair value of related party payables cannot be determined due to the related party nature. The information with respect to long term payables to the Former Parent Company is disclosed in Note 10. The carrying amount and market value of long term investments are discussed in Note 6.

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

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, available-for-sale securities, investment in U.S. Treasury strips zero % coupon, accounts receivable and receivables from sales representatives. The Company maintains checking, money market accounts and available-for-sale securities 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, 2001, 2002 and 2003. No customer accounted for more than 10% of the accounts receivable as of December 31, 2002 and 2003.

In 2003, 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, 2001, 2002 and 2003, the Company's operating lease rental and building management services expenses were $1,897, $1,872 and $1,484 respectively. The estimated future minimum lease rental payments under non-cancelable operating leases as of December 31, 2003 are as follows:

Year Ending December 31,	Operating Leases
2004	468
2005	31
2006 onwards	-
	$ 499

18. Segment and Geographic Information

With the launch of China Sourcing Fairs in the fourth quarter of 2003, the Company realigned its products and services into three groups. Thus the Company has three reportable segments: online services, other media services and exhibitions. Certain prior year items have been reclassified to conform to the 2003 presentation. Revenues by geographic location are based on the location of the customer.

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

(a) Segment Information

	Year Ended December 31, 2001	2002	2003
Revenues:			
Online services	$ 55,468	$ 51,268	$ 51,367
Other media services	36,391	33,132	36,318
Exhibitions	2,619	2,455	3,327
Miscellaneous	807	631	657
Consolidated	$ 95,285	$ 87,486	$ 91,669

	Year Ended December 31, 2001	2002	2003
Income/(Loss) from Operations:			
Online services	$ 5,958	$ 6,311	$ 6,018
Other media services	(850)	(1,452)	3,372
Exhibitions	(220)	(315)	(1,215)
Miscellaneous	(1,503)	302	606
Consolidated	$ 3,385	$ 4,846	$ 8,781

	At December 31, 2002	2003
Identifiable Assets:		
Online services	$ 39,497	$ 47,907
Other media services	20,876	31,215
Exhibitions	1,545	2,855
Miscellaneous	732	564
Consolidated	$ 62,650	$ 82,541

(b) Foreign Operations

	Year Ended December 31, 2001	2002	2003
Revenues:			
Asia	$ 88,427	$ 81,456	$ 84,856
United States	5,255	4,986	5,970
Europe	908	525	437
Others	695	519	406
Consolidated	$ 95,285	$ 87,486	$ 91,669

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

	At December 31,	
	2002	2003
Long-Lived Assets:		
Asia	$ 15,285	$ 9,206
United States	6	-
Consolidated	$ 15,291	$ 9,206

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

The commitments as at December 31, 2003 for the purchase and commissioning of software amounted to $160. There were no material capital commitments as at December 31, 2002.

21. 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 Former Parent Company assigned 4,409,044 common 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 551,131 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 3,857,913 shares is subject to employment, non-compete and vesting terms under an employment agreement with one of the Company's United States subsidiaries. The 3,857,913 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 non-cash compensation expense associated with these awards in the year ended December 31, 2000. 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.

22. 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 Former Parent Company assigned 2,755,652 common 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 common shares. The plan committee determines who will receive, and the terms of, the options.

Optionees may pay for common 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 common 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 common 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 No. 25 and SFAS No. 123, under ECP II and ECP III of approximately $2,904 and $2,357, respectively, were 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 on January 1, 2002.

The non-cash compensation expenses associated with the above awards in accordance with APB No. 25 and SFAS No. 123, under ECP IV and ECP V of approximately $3,095 and $1,823, 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 No. 25 and SFAS No. 123, under ECP VI totaling to approximately $589, 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 on January 1, 2002 and made further awards on March 31, 2003 and on June 19, 2003. The non-cash compensation expenses associated with the above awards in accordance with APB No. 25 and SFAS No. 123, under ECP VII of approximately $1,967 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 $2,501, $2,564 and $1,419 in non-cash compensation costs associated with the awards under the above ECP plans in the years ended December 31, 2001, 2002 and 2003, 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, 2000................	88,976	221,193	113,135	-	-	-	-
Original restricted shares granted in year 2001................	-	-	-	574,590	333,300	86,130	-
Shares forfeited to beneficial trustee.....................................	-	(26,915)	(21,823)	(96,621)	(100,650)	-	-
Balance at December 31, 2001..	88,976	194,278	91,312	477,969	232,650	86,130	-
Original restricted shares granted in year 2002.................	-	-	-	-	33,000	11,000	147,892
Shares forfeited to beneficial trustee.....................................	-	(10,873)	(2,507)	(42,591)	(31,240)	-	(10,112)
Balance at December 31, 2002..	88,976	183,405	88,805	435,378	234,410	97,130	137,780
Original restricted shares granted in year 2003.................	-	-	-	-	-	-	316,059
Shares forfeited to beneficial trustee....................................	-	(1,439)	-	(13,526)	(3,960)	-	(12,432)
Balance at December 31, 2003....	88,976	181,966	88,805	421,852	230,450	97,130	441,407
Grant Price Per Share..................	$ 21.82	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL
Weighted average fair value of the shares granted...................	$ 2.27	$ 24.09	$ 24.09	$ 7.88	$ 7.95	$ 5.00	$ 3.90

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.

23. Directors Purchase Plan

A 2000 Non-Employee Directors Share 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 22,000 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-employee 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 22,000 shares granted under option. The $164 received as proceeds of this plan was included in additional paid-in capital. On February 28, 2002 and 2003, the Company issued to the

Director the 5,500 and 5,500 common shares, respectively, that vested on those dates, adjusted to reflect the share split discussed in note 26.

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-employee 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. The $30 received towards the 10% of the option price was included in the additional paid in capital.

On May 8, 2003, shareholders approved the amendments to the 2000 Non-Employee Directors Share Option Plan to allow both employee and non-employee Directors to participate in the plan. The plan was renamed as Directors Purchase Plan by the Board of Directors on August 14, 2003.

Directors purchasing the shares under the plan pay 10% of the purchase price which is the average closing price of the shares for the last five trading days of year 2003, on or before February 28, 2004. The balance of 90% is paid by February 28, 2008 and the shares will be issued thereafter. The resignation of a Director following his or her purchase of the shares and payment of the 10% initial installment shall not cause a forfeiture of the purchased shares. Six directors opted to purchase 22,000 shares each and one director opted to purchase part of the 22,000 shares. The amount of $92 received towards the 10% of the purchase price will be included in the additional paid in capital.

24. 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 Former 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.

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.

As of December 31, 2002 and 2003, the outstanding principal amount under this credit facility was $NIL.

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 $577. As at December 31, 2003, the unutilized amount under this facility was approximately $265. Hongkong and Shanghai Banking Corporation Limited has also provided guarantees on behalf of the Company to the Company's suppliers. As at December 31, 2003, such guarantees amounted to $9.

25. Reclassification

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

26. Post Balance Sheet Events

Subsequent to the balance sheet date, the Company has entered into a number of licence agreements for its exhibition events amounting to $29,868 in payments over five (5) years. The agreements are cancelable under Force Majeure conditions, and with the consent of the other party but may be subject to a payment penalty.

On February 16, 2004, the Company announced a one for ten bonus share issue on the Company's outstanding common shares. Shareholders of record on March 1, 2004 will receive one additional common share for every ten common shares held, of face value of $0.01 each. The bonus share issue will be distributed on or about April 1, 2004. All common shares and per-share amounts in the consolidated financial statements and related notes have been retroactively adjusted to reflect the eleven for ten share split for all periods presented. In addition, the Company has reclassified $26 and $26 from additional paid in capital to common share capital as of December 31, 2003 and 2002, respectively.

Global Sources' strong on-the-ground presence throughout China

Global Sources offers extensive export marketing services throughout Greater China and other leading supply markets through 63 offices worldwide. In mainland China, we have 22 years presence, supported by more than 900 team members in 44 locations.

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Global Sources' objective is to be the preferred provider of essential information and integrated marketing solutions for the markets we serve. Our primary business strategy to achieve this is to serve our markets with online, print, CD-ROM and trade show media.

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