

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**  
**of the Securities Exchange Act of 1934**

**For the three months ended June 30, 2004**

Commission File Number 000-30678

GLOBAL SOURCES LTD.

(Translation of Registrant's Name into English)

Canon's Court  
22 Victoria Street  
Hamilton, HM 12, Bermuda

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F...X... Form 40-F.....

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes..... No...X....

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82- \_\_\_\_\_

- Exhibit 1      Year 2004 / 2<sup>nd</sup> Quarter Results of Operations of GLOBAL SOURCES LTD.
- Exhibit 2      Unaudited Selected Consolidated Financial Information of GLOBAL SOURCES LTD. at June 30, 2004.

## Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL SOURCES LTD.  
(Registrant)

By: /s/ Eddie Heng Teng Hua  
Name: Eddie Heng Teng Hua  
Title: Director and Chief Financial Officer

Date: August 12, 2004

**YEAR 2004 / 2<sup>nd</sup> QUARTER  
RESULTS OF OPERATIONS  
OF GLOBAL SOURCES LTD.**

*The following discussion of our financial condition and results of operations should be read in conjunction with the accompanying financial statements.*

**Overview**

We are a leading business-to-business (B2B) media company that provides information and integrated marketing services, with a focus on the China market. Our mission is to facilitate global trade between buyers and suppliers by providing the right information, at the right time, in the right format. Although our range of media has grown, for more than 33 years we have been in the same basic business of helping buyers worldwide find products and suppliers in Asia.

We were originally incorporated under the laws of Hong Kong in 1970. In 1971, we launched *Asian Sources*, a trade magazine to serve global buyers importing products in volume from Asia. In 1985, we launched *Electronics News for China* for this purpose. Realizing the importance of the Internet, we became one of the first providers of business to business online services by launching *Asian Sources Online* in 1995. In 1999, we changed the name of *Asian Sources Online* to *Global Sources Online*. Today we have several publications and their associated websites, plus leading events and conferences that provide information to high tech design engineers and manufacturers in China and throughout Asia.

In April 2000, we completed a share exchange with a publicly traded company based in Bermuda, and our shareholders became the majority shareholders of the Bermuda corporation. As a result of the share exchange, we became incorporated under the laws of Bermuda and changed our name to Global Sources Ltd. Today we are one of Asia's leading providers of trade information in print, online, on CD ROM and face-to-face, meeting the marketing and sourcing needs of our supplier and buyer communities.

**Revenue**

We derive revenue from three principal sources.

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

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

*Exhibitions – trade shows and seminars* – We launched a new line of trade shows called, the China Sourcing Fairs. They offer international buyers direct access to China and other Asian manufacturers. The first fair was held during the fourth quarter of 2003 and the second fair was held in the second quarter of 2004. Future fairs will be held mainly in the second quarter and fourth quarter of each financial year. We recognize exhibitor services revenue at the conclusion of the related events. As a result, second quarter and fourth quarter revenue will be higher than the first and third quarter revenue. Revenue will grow as a percentage of total revenue in future years as we hold more China Sourcing Fairs.

## Results of Operations

The following table sets forth the results of our operations:

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue:</b>				
Online services .....	\$ 13,016	\$ 12,438	\$ 25,922	\$ 25,023
Other media services .....	9,988	8,456	19,106	16,527
Exhibitions .....	5,846	328	7,355	1,129
Miscellaneous .....	126	174	255	357
	<b>28,976</b>	<b>21,396</b>	<b>52,638</b>	<b>43,036</b>
<b>Operating Expenses:</b>				
Sales.....	7,531	7,107	15,035	14,149
Event production .....	1,721	43	1,901	279
Community .....	4,776	2,913	7,912	5,792
General and administrative .....	8,441	7,130	15,878	14,214
Online services development.....	1,036	1,316	2,108	2,631
Non-cash compensation expense .....	137	255	970	792
Amortization of software development cost.....	369	1,024	738	2,049
<b>Total Operating Expenses.....</b>	<b>24,011</b>	<b>19,788</b>	<b>44,542</b>	<b>39,906</b>
<b>Income from Operations.....</b>	<b>4,965</b>	<b>1,608</b>	<b>8,096</b>	<b>3,130</b>
<b>Net Income .....</b>	<b>\$ 5,097</b>	<b>\$ 1,347</b>	<b>\$ 7,725</b>	<b>\$ 2,672</b>
<b>Income from Operations:</b>				
Online services .....	\$ 3,329	\$ 1,173	\$ 5,538	\$ 2,539
Other media services .....	1,615	454	2,478	446
Exhibitions .....	(104)	(174)	(170)	(165)
Miscellaneous .....	125	155	250	310
<b>Consolidated .....</b>	<b>\$ 4,965</b>	<b>\$ 1,608</b>	<b>\$ 8,096</b>	<b>\$ 3,130</b>

The following table represents our revenue by geographical areas:

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Asia .....	\$ 27,119	\$ 19,726	\$ 49,035	\$ 39,807
United States .....	1,600	1,454	3,184	2,758
Europe .....	177	118	274	251
Others .....	80	98	145	220
<b>Total revenue .....</b>	<b>\$ 28,976</b>	<b>\$ 21,396</b>	<b>\$ 52,638</b>	<b>\$ 43,036</b>

## Consolidated Results

### Revenue

Our total revenue grew by 35% to \$29.0 million during the three months ended June 30, 2004 from \$21.4 million during the three months ended June 30, 2003. Our online services revenue grew from \$12.4 million during the three months ended June 30, 2003 to \$13.0 million during the three months ended June 30, 2004, a growth of 5% reflecting our growth in China. Our other media services revenue grew from \$8.5 million during the three months ended June 30, 2003 to \$10.0 million during the three months ended June 30, 2004, a growth of 18% reflecting our growth in China, growth in certain of our print publications and growth in marketing services or print inserts. Our exhibitions revenue grew from \$0.3 million during the three months ended June 30, 2003 to \$5.8 million during the three months ended June 30, 2004, due to our China Sourcing Fairs events held in the second quarter of 2004.

Total revenue grew to \$52.6 million during the six months ended June 30, 2004 from \$43.0 million during six months ended June 30, 2003, a growth of 22%. Our online services revenue grew by \$0.9 million or 4% to \$25.9 million during the six months ended June 30, 2004, as compared with \$25.0 million during the six months ended June 30, 2003. Revenue from our other media services grew by \$2.6 million or 16% to \$19.1 million during the six months ended June 30, 2004 as compared with \$16.5 million during the six months ended June 30, 2003. Our exhibitions revenue grew from \$1.1 million during the six months ended June 30, 2003 to \$7.4 million during the six months ended June 30, 2004, a growth of 573%, due mainly to our China Sourcing Fairs events held in the second quarter of 2004.

We have made substantial progress in developing our customer base in China, our largest market. Revenue from China grew by 63% during the three months ended June 30, 2004 compared to the three months ended June 30, 2003 as a result of China Sourcing Fairs revenue. China accounted for 50% of total revenue for the three months ended June 30, 2004.

Our objective is to be the preferred provider of essential information and integrated marketing solutions in the markets we serve. Our primary strategy to achieve this objective is by serving industry sectors with each of online, trade publication and trade show media. This range of media enables suppliers to reach their prospective markets in multiple ways. It may also give us a competitive advantage over media companies who do not offer a full range of media.

Our growth strategy has five primary components:

- (1) *Continue to Expand in China.* We are significantly expanding our sales representation, marketing and infrastructure in China to enable us to grow our revenue along with the anticipated growth of China trade in the industry sectors we serve.
- (2) *Expand Trade Show Business.* We plan to launch more trade shows, including six China Sourcing Fairs in 2004.
- (3) *Add New Customers for Existing Services.* We believe we can significantly increase the number of suppliers who will purchase our online marketplace, trade publication and trade show services for three primary reasons: the overall strength and differentiation of our services; the largest community of independently certified buyers we have involved in global B2B trade; and the increasing number of buyers making inquiries through *GlobalSources Online*.

- (4) *Cross-Sell Services to Existing Customers.* We see significant potential to convince more of our online marketplace and trade publication customers to also exhibit in our trade shows; and to convince more of our trade show exhibitors to also become customers of our online marketplaces and trade publications.
- (5) *Seek Acquisitions, Joint Ventures and Alliances.* We intend to selectively pursue acquisitions, joint ventures and alliances to help us accelerate achievement of our strategic goals.

At the core of our strategy is one basic goal: to steadily increase the usage of our media. As we do this, we expect to increase the size and loyalty of the communities we serve. Our belief is that as our community of active buyers increases, our products and services become increasingly attractive to suppliers. As the number of buyers and sellers using our products and services grows, our offerings become incrementally more attractive to additional buyers and sellers, which we believe will drive revenue growth through further adoption of our online, publication and trade show products and services.

### **Operating expenses**

*Sales.* We utilize independent sales representatives employed by independent sales representative organizations in various countries and territories to promote our products and services. Under these arrangements, the sales representative organizations are entitled to commissions as well as marketing fees. Commission expense is recorded when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier, and is included in sales expenses.

Sales costs consist of the commissions and marketing fees paid and incentives provided to our independent sales representative organizations, as well as sales support fees for processing sales contracts. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated. Sales costs increased from \$7.1 million during the three months ended June 30, 2003 to \$7.5 million during the three months ended June 30, 2004, an increase of 6% due mainly to an increase in revenue in the first quarter of 2004.

Sales costs increased from \$14.1 million during the six months ended June 30, 2003 to \$15.0 million during the six months ended June 30, 2004, an increase of 6% due to increase in revenue.

*Event Production.* With the launch of China Sourcing Fairs in the fourth quarter of 2003, we are presenting the costs associated with production of the exhibition or trade show and seminar events as a separate category in our Income Statement. Accordingly, certain of our costs for the first six months of 2003 have been reclassified from sales costs to event production costs, to conform to our current presentation.

Event production costs consist of the costs incurred for hosting the exhibition or trade show and seminar events. The event production costs include venue rental charges, booth construction costs, travel costs incurred for the event hosting and other event organizing costs. The event production costs are deferred and recognized as an expense when the related event occurs.

Event production costs increased from \$0.04 million during the three months ended June 30, 2003 to \$1.7 million during the three months ended June 30, 2004, due to our China Sourcing Fairs events held in the second quarter of 2004.

Event production costs increased from \$0.3 million during the six months ended June 30, 2003 to \$1.9 million during the six months ended June 30, 2004, due to our China Sourcing Fairs events held in the second quarter of 2004.

*Community.* During the third quarter of 2003, we enhanced the scope of our circulation function and renamed it Community Development. Certain items of costs for the first half of 2003 have been reclassified from general and administrative costs to community costs to conform to current presentation.

Community costs consist of the costs incurred for servicing our buyer community and for marketing our products and services to the global buyer community. Community costs also include costs relating to our trade magazine publishing business, specifically printing, paper, bulk circulation, subscription promotions, customer services costs and the marketing promotions costs incurred for promoting the China Sourcing Fairs events to the buyer community. The promotions costs incurred for promoting the China Sourcing Fairs to the buyer community are deferred and recognized as an expense when the related event occurs. Community costs increased from \$2.9 million during the three months ended June 30, 2003 to \$4.8 million during the three months ended June 30, 2004, an increase of 66%. This increase was due mainly to promotion costs incurred for promoting our China Sourcing Fairs events held in the second quarter of 2004 to the buyer community. We recorded increases in bulk mailing costs, printing charges, paper costs and subscription promotion costs for our print publications business. In addition, we increased our participation in third party trade shows to promote our products and services to the buyer community. As a result of the increase in these activities, we recorded an increase in payroll costs.

Community costs increased from \$5.8 million during the six months ended June 30, 2003 to \$7.9 million during the six months ended June 30, 2004, an increase of 36% due mainly to promotion costs incurred for promoting our China Sourcing Fairs events held in the second quarter of 2004 to the buyer community. We recorded increases in bulk mailing costs, printing charges, paper costs and subscription promotion costs for our print publications business. In addition, we increased in our participation in third party trade shows to promote our products and services to the buyer community. As a result of the increase in these activities, we recorded an increase in payroll costs.

*General and Administrative.* General and administrative costs consist mainly of corporate staff compensation, information technology support services, content management services, marketing costs, office rental, depreciation, communication and travel costs. General and administrative costs increased from \$7.1 million during the three months ended June 30, 2003 to \$8.4 million during the three months ended June 30, 2004, an increase of 18%, due mainly to the increase in content management services costs, marketing costs and professional fees paid for our Form F-3 registration.

General and administrative costs increased by 12% from \$14.2 million during the six months ended June 30, 2003 to \$15.9 million during the six months ended June 30, 2004, due mainly to increases in content management services costs, marketing costs and professional fees paid for our Form F-3 registration.

*Online Services Development.* Online services development costs consist mainly of payroll, office rental and depreciation costs relating to the enhancements of *Global Sources Online*. Online services development costs to fund the expansion of our online services declined from \$1.3 million during the three months ended June 30, 2003 to \$1.0 million during the three months ended June 30, 2004, a decline of 23% due mainly to a reduction in depreciation costs.

Online services development costs to fund the expansion of our online services declined from \$2.6 million during the six months ended June 30, 2003 to \$2.1 million during the six months ended June 30, 2004, a decline of 19%. This decline resulted mainly from a decline in depreciation costs.

*Non-Cash Compensation Expense.* We have issued share awards under several equity compensation plans (ECP) to both employees and team members. The total non-cash compensation expense, resulting from the ECP, recorded by us during the three months ended June 30, 2004 was \$0.1 million compared to \$0.3 million recorded during the three months ended June 30, 2003. The reduction is due to re-measurement of equity compensation expense based on our prevailing share price.

The total non-cash compensation expense, resulting from the ECP, recorded by us during the six months ended June 30, 2004 was \$1.0 million compared to \$0.8 million recorded during the six months ended June 30, 2003. This increase was a result of new share awards in January 2004 and re-measurement of equity compensation expense based on our prevailing share price.

The corresponding amounts for the non-cash compensation expenses are credited to shareholders' equity.

*Amortization of software development cost.* Amortization of software development cost during the three months ended June 30, 2004, was \$0.4 million, compared to \$1.0 million for the three months ended June 30, 2003.

Amortization of software development cost during the six months ended June 30, 2004 were \$0.7 million, compared to \$2.0 million for the six months ended June 30, 2003.

*Income From Operations.* The total income from operations during the three months ended June 30, 2004 was \$5.0 million as compared to \$1.6 million during the three months ended June 30, 2003. The increase in total income from operations resulted mainly from the increase in revenue, declines in online services development costs, amortization of software development costs and non-cash compensation expenses, off-set partially by increases in sales costs, event production costs, community costs and general and administrative costs. Income from operations for online services grew to \$3.3 million during the three months ended June 30, 2004 from \$1.2 million during the three months ended June 30, 2003, an increase of 175%. The growth was mainly attributable to growth in online services revenue, declines in online services development costs and amortization of software development costs.

The total income from operations during the six months ended June 30, 2004 was \$8.1 million compared to \$3.1 million during the six months ended June 30, 2003. The improvement was mainly due to growth in revenue, declines in online services development costs and amortization of software development costs, off-set partially by an increase in sales costs and event production costs, community costs, general and administrative costs and non-cash compensation expenses. Income from operations for online services grew from \$2.5 million during the six months ended June 30, 2003 to \$5.5 million during the six months ended June 30, 2004, a growth of 120%. The growth resulted mainly from growth in online services revenue, declines in online services development costs and amortization of software development costs.

*Gain on Sale of Available-for-sale Securities.* We recorded a gain of \$0.6 million arising from sale of available-for-sale securities during the three months and six months ended June 30, 2004.

*Income Taxes.* We and certain of our subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Certain of our subsidiaries operate in Hong Kong SAR and Singapore and are subject to income taxes in their respective jurisdictions. Also, we are subject to withholding taxes for revenue earned in certain other countries.

We reported a tax provision of \$0.3 million during the three months ended June 30, 2004 and \$0.1 million during the three months ended June 30, 2003.

We reported a tax provision of \$0.5 million during the six months ended June 30, 2004 and \$0.2 million during the six months ended June 30, 2003.

*Net Income.* Net income was \$5.1 million during the three months ended June 30, 2004, compared to \$1.3 million during the three months ended June 30, 2003. This growth resulted mainly from the increase in revenue, declines in online services development costs, non-cash compensation expenses, amortization of software development costs and increase in gain on sale of available-for-sale securities, off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs, increases in tax provision and in the current quarter share of profits attributable to a minority shareholder due to profitable performance of a subsidiary.

Net income was \$7.7 million during the six months ended June 30, 2004, compared to a net income of \$2.7 million during the six months ended June 30, 2003. The improvement was mainly due to growth in revenue, declines in online services development costs, amortization of software development costs, increase in gain on sale of available-for-sale securities, off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs, non-cash compensation expenses, increases in tax provision and in the share of profits attributable to a minority shareholder during the six months ended June 30, 2004 due to profitable performance of a subsidiary.

## **Liquidity and Capital Resources**

We financed our activities for six months ended June 30, 2004 using cash generated from our operations.

Net cash generated from operating activities was \$6.6 million during the six months ended June 30, 2004, compared to \$10.8 million cash generated from operating activities during the six months ended June 30, 2003. The primary source of cash from operating activities was collections from our customers received through our independent sales representative organizations.

Net cash used for investing activities was \$23.3 million during the six months ended June 30, 2004, which was used principally for capital expenditures for computers, softwares, office furniture and purchase of available -for-sale securities, off-set partially by \$27.2 million proceeds from sale of available-for-sale securities and \$0.1 million proceeds from bonds which matured during the 2<sup>nd</sup> quarter of 2004. Net cash used for investing activities during the six months ended June 30, 2003 was \$6.4 million, which was used principally for capital expenditures for computers, softwares, software development, renovation of leasehold

properties, a motor vehicle and purchase of available-for-sale securities, off-set partially by \$0.2 million proceeds from bonds which matured during the 1st quarter of 2003.

Net cash generated from financing activities was \$0.1 million during the six months ended June 30, 2004, which represents the amount received from directors for the shares subscribed by them in the Director Purchase Plan. Net cash generated from financing activities was \$0.03 million during the six months ended June 30, 2003, which represents amount received from directors for the shares subscribed by them in the Director Purchase Plan.

We hold a Documentary Credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to our suppliers. This facility has a maximum limit of approximately \$0.6 million. As at June 30, 2004, the unutilized amount under this facility was approximately \$0.5 million. Hongkong and Shanghai Banking Corporation Limited has also provided guarantees on our behalf to our suppliers. As at June 30, 2004, such guarantees amounted to \$0.009 million.

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

Advance payments received from customers were \$25.0 million as of June 30, 2004, compared to \$27.5 million as at December 31, 2003, a drop of \$2.5 million due mainly to recognition of advance collections for China Sourcing Fairs as at end of last quarter to revenue this quarter.

During the first quarter of 2004, we entered into a number of license agreements for our exhibition events amounting to \$29.7 million in payments over five 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. As of June 30, 2004, we paid \$1.9 million under these agreements. The amounts paid will be expensed when the related events are held.

We also entered into several agreements for the promotion of our exhibition events amounting to \$3.0 million, in payments over four years. As of June 30, 2004, we paid \$0.3 million under these agreements. The amounts paid will be expensed when the related events are held.

On February 16, 2004, we announced a one for ten bonus share issue on our outstanding common shares. Shareholders of record on March 1, 2004 received one additional common share for every ten common shares held, of face value of \$0.01 each. The bonus share issue was distributed on April 1, 2004. All common shares and per-share amounts in the consolidated financial statements have been retroactively adjusted to reflect the eleven for ten share split for all periods presented. In addition, we have reclassified \$0.026 million from additional paid in capital to common share capital as of December 31, 2003 and June 30, 2004, in connection with the bonus share issue.

We anticipate that cash and securities on hand, and cash generated from operations will be adequate to satisfy our working capital, capital expenditure requirements and cash commitments based on the current levels of our operations. We have no bank debt as at June 30, 2004.

## **Recent Accounting Pronouncements**

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 did not have a material impact on the Company's financial statements of position, results of operations, or cash flows.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." EITF 03-1 provides guidance on other-than-temporary impairment models for marketable debt and equity securities accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," and non-marketable equity securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. The provisions of EITF 03-1 will be effective for interim or annual reporting periods beginning after June 15, 2004 and will be applied prospectively to all current and future investments. Quantitative and qualitative disclosures for investments accounted for under SFAS No. 115 are effective for the first annual reporting period after December 15, 2003. The Company does not expect the adoption of EITF 03-1 to have a material effect on its results of operations and financial condition.

## **Qualitative and Quantitative Disclosures about Market Risk**

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

This decline in revenue occurred due to contracts being denominated and priced in foreign currencies prior to devaluations in Asian currencies. The conversion of these contract proceeds to U.S. dollars resulted in losses and reflects the foreign exchange risk assumed by us between contract signing and the conversion of cash into U.S. dollars. We believe this risk is mitigated because historically a majority (ranging between 55% to 60%) of our revenue is denominated in U.S. dollars or is received in the Hong Kong currency which is currently pegged to the U.S. dollar. Correspondingly, a majority (approximately 85%) of our expenses

are denominated in Asian currencies. To the extent significant currency fluctuations occur in the New Taiwan dollar, the Chinese Renminbi or other Asian currencies, or if the Hong Kong dollar is no longer pegged to the U.S. dollar, our revenue and expenses fluctuate in tandem thus reducing the net impact on our profits.

During the six months ended June 30, 2004 and the six months ended June 30, 2003, we have not engaged in foreign currency hedging activities.

In the six months ended June 30, 2004 and the six months ended June 30, 2003, we derived more than 90% of its revenue from customers in the Asia-Pacific region. We expect that a majority of our future revenue will continue to be generated from customers in this region. Future political or economic instability in the Asia-Pacific region could negatively impact our business.

### **Forward-looking Statements Disclaimer**

Except for any historical information contained herein, the matters discussed in this report contain certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “project,” “plan,” “predict,” “strategy,” “forecast,” “will” and similar terms and phrases, including references to assumptions.

These forward-looking statements include current trend information, projections for deliveries, business growth strategies and plans, projected capital expenditure, expansion plans and liquidity. These forward looking statements involve risks and uncertainties that may cause our actual future activities and results of operations to be materially different from those suggested or described in this report on Form 6-K. These risks include but are not limited to: product demand; customer satisfaction and quality issues; labor disputes; competition, changes in technology and the marketplace; our ability to achieve and execute internal business plans; the success of our business partnerships and alliances; worldwide political instability and economic growth; changes in regulatory and tax legislation in the countries in which we operate; and the impact of any weakness in the currencies in Asia in which we operate.

In addition to the foregoing factors, certain other risks and uncertainties, which could cause actual results to differ materially from those expected, estimated or projected can be found in the section “Risk Factors” in our Annual Report on Form 20-F filed with the United States Securities and Exchange Commission.

If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this report on Form 6-K, including investors and prospective investors, are cautioned not to place undue reliance on such forward-looking statements. We do not intend to update the forward-looking statements included in this report.

## EXHIBIT 2

**GLOBAL SOURCES LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

	<b>At June 30 2004 (Unaudited)</b>	<b>At December 31 2003</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents .....	\$ 9,609	\$ 26,227
Available-for-sale securities.....	57,591	35,140
Accounts receivable, net.....	3,946	4,507
Receivables from sales representatives.....	4,077	3,883
Inventory of paper.....	684	703
Prepaid expenses and other current assets.....	2,583	1,883
<b>Total Current Assets.....</b>	<b>78,490</b>	<b>72,343</b>
Property and equipment, net.....	6,895	7,870
Long term investments .....	100	100
Bonds held to maturity, at amortized cost .....	899	992
Other assets.....	2,923	1,236
<b>Total Assets.....</b>	<b>\$ 89,307</b>	<b>\$ 82,541</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable.....	\$ 5,465	\$ 4,432
Deferred income and customer prepayments.....	24,962	27,454
Accrued liabilities.....	5,310	5,803
Income taxes payable.....	769	804
<b>Total Current Liabilities.....</b>	<b>36,506</b>	<b>38,493</b>
Liabilities for incentive and bonus plans.....	682	682
Amount due to a shareholder .....	11,404	11,404
Minority interest .....	4,290	3,684
Deferred tax liability .....	307	298
<b>Total Liabilities.....</b>	<b>53,189</b>	<b>54,561</b>
<b>Shareholders' equity:</b>		
Common shares, US\$0.01 par value; 50,000,000 shares authorized; 28,952,194 (2003: 28,946,694) shares issued and outstanding.....	290	289
Additional paid in capital .....	85,386	81,925
Retained deficit .....	(42,621)	(50,346)
Less : Unearned compensation .....	(6,963)	(4,563)
Accumulated other comprehensive income .....	26	675
<b>Total Shareholders' Equity.....</b>	<b>36,118</b>	<b>27,980</b>
<b>Total Liabilities and Shareholders' Equity.....</b>	<b>\$ 89,307</b>	<b>\$ 82,541</b>

**GLOBAL SOURCES LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

	Three months ended		Six months ended	
	June 30		June 30	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue:</b>				
Online services .....	\$ 13,016	\$ 12,438	\$ 25,922	\$ 25,023
Other media services .....	9,988	8,456	19,106	16,527
Exhibitions .....	5,846	328	7,355	1,129
Miscellaneous .....	126	174	255	357
	<b>28,976</b>	<b>21,396</b>	<b>52,638</b>	<b>43,036</b>
<b>Operating Expenses:</b>				
Sales .....	7,531	7,107	15,035	14,149
Event production .....	1,721	43	1,901	279
Community .....	4,776	2,913	7,912	5,792
General and administrative .....	8,441	7,130	15,878	14,214
Online services development.....	1,036	1,316	2,108	2,631
Non-cash compensation expense (Note 1) .....	137	255	970	792
Amortization of software development cost.....	369	1,024	738	2,049
<b>Total Operating Expenses.....</b>	<b>24,011</b>	<b>19,788</b>	<b>44,542</b>	<b>39,906</b>
<b>Income from Operations.....</b>	<b>4,965</b>	<b>1,608</b>	<b>8,096</b>	<b>3,130</b>
Interest income.....	19	23	55	45
Gain on sale of available-for-sale securities.....	633	-	633	-
Foreign exchange gains (losses), net.....	(55)	14	(3)	(10)
<b>Income before Income Taxes.....</b>	<b>5,562</b>	<b>1,645</b>	<b>8,781</b>	<b>3,165</b>
<b>Income Tax Provision.....</b>	<b>(258)</b>	<b>(120)</b>	<b>(452)</b>	<b>(211)</b>
<b>Net Income before Minority Interest .....</b>	<b>\$ 5,304</b>	<b>\$ 1,525</b>	<b>\$ 8,329</b>	<b>\$ 2,954</b>
Minority interest.....	\$ (207)	\$ (178)	\$ (604)	\$ (282)
<b>Net Income .....</b>	<b>\$ 5,097</b>	<b>\$ 1,347</b>	<b>\$ 7,725</b>	<b>\$ 2,672</b>
<b>Retained deficit brought forward .....</b>			<b>\$ (50,346)</b>	<b>\$ (57,680)</b>
<b>Retained deficit carried forward .....</b>			<b>(42,621)</b>	<b>(55,008)</b>
<b>Basic net income per share .....</b>	<b>\$ 0.18</b>	<b>\$ 0.05</b>	<b>\$ 0.27</b>	<b>\$ 0.09</b>
<b>Shares used in basic net income per share</b>				
calculations .....	<b>28,952,194</b>	<b>28,946,694</b>	<b>28,950,411</b>	<b>28,944,932</b>
<b>Diluted net income per share .....</b>	<b>\$ 0.18</b>	<b>\$ 0.05</b>	<b>\$ 0.27</b>	<b>\$ 0.09</b>
<b>Shares used in diluted net income per share</b>				
calculations .....	<b>29,083,368</b>	<b>28,954,526</b>	<b>29,072,813</b>	<b>28,948,848</b>

Note : 1. Reflects the non-cash compensation expenses associated with the employee equity compensation plans. Non-cash compensation represents the following categories of expenses:

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales .....	\$ (12)	\$ 68	\$ 249	\$ 149
Community .....	17	-	48	26
General and administrative .....	69	121	532	449
Online services development .....	63	66	141	168
	<b>\$ 137</b>	<b>\$ 255</b>	<b>\$ 970</b>	<b>\$ 792</b>

2. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

**GLOBAL SOURCES LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

	Six months ended June 30	
	2004	2003
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
Net income .....	\$ 7,725	\$ 2,672
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization .....	1,997	4,379
Profit on sale of property and equipment .....	-	(5)
Accretion of U.S. Treasury strips zero % coupons .....	(30)	(38)
Gain on sale of available-for-sale securities .....	(633)	-
Bad debt expense.....	37	162
Non-cash compensation expense .....	970	792
Income attributable to minority shareholder .....	604	282
Property and equipment written off .....	7	10
	10,677	8,254
<b>Changes in assets and liabilities:</b>		
Accounts receivables.....	524	142
Receivables from sales representatives.....	(194)	(21)
Inventory of paper.....	19	157
Prepaid expenses and other current assets.....	(753)	(463)
Long term assets.....	(1,687)	64
Accounts payable.....	1,033	419
Accrued liabilities and liabilities for incentive and bonus plans.....	(493)	411
Deferred income and customer prepayments.....	(2,492)	1,965
Tax liability .....	(26)	(80)
<b>Net cash provided by operating activities.....</b>	<b>6,608</b>	<b>10,848</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment.....	(1,030)	(1,319)
Proceeds from sales of property and equipment.....	1	7
Proceeds from matured bonds .....	123	185
Purchase of available-for-sale securities.....	(49,583)	(5,300)
Proceeds from sale of available-for-sale securities.....	27,171	-
<b>Net cash used for investing activities.....</b>	<b>(23,318)</b>	<b>(6,427)</b>
<b>Cash flows from financing activities:</b>		
Amount received towards directors purchase plan .....	92	30
<b>Net cash generated from financing activities.....</b>	<b>92</b>	<b>30</b>
Net decrease (increase) in cash and cash equivalents .....	(16,618)	4,451
Cash and cash equivalents, beginning of the period .....	26,227	11,009
<b>Cash and cash equivalents, end of the period .....</b>	<b>9,609</b>	<b>15,460</b>
<b>Supplemental cash flow disclosures:</b>		
Income tax paid.....	\$ 478	\$ 290