FORM 20-F

(Exact Name of Registrant as Specified in its Charter)

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

Bermuda
(Jurisdiction of incorporation or organization)

Canon’s Court
22 Victoria Street
Hamilton, HM 12 Bermuda
(Address of principal executive offices)

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

<table>
<thead>
<tr>
<th>Title of Each Class</th>
<th>Name of Each Exchange on Which Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Shares, $0.01 Par Value</td>
<td>NASDAQ National Market</td>
</tr>
</tbody>
</table>

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

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

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

38,428,310 common shares, $0.01 par value, outstanding as of April 17, 2006.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities act

Yes   __       No     x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes   x       No     __

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  x  No  

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  ___  Accelerated filer  x  Non-accelerated filer  ___

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

Item 17  ___  Item 18  x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  ___  No  x

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  ___  No  ___
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FORWARD-LOOKING STATEMENTS

Except for any historical information contained herein, the matters discussed in this Annual Report on Form 20-F contain certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “will” and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks and uncertainties, including current trend information, projections for deliveries, backlog and other trend projections, that may cause our actual future activities and results of operations to be materially different from those suggested or described in this Annual Report on Form 20-F.

These risks include:

- customer satisfaction and quality issues;
- competition;
- our ability to achieve and execute internal business plans;
- worldwide political instability and economic downturns and inflation, including any weakness in the economic and political conditions of countries in the Asia-Pacific region, including China; and
- other factors described herein under “Risk Factors.”

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

In this Annual Report on Form 20-F, except as specified otherwise or unless the context requires otherwise, “we,” “our,” “us,” the “Company,” and “Global Sources” refer to Global Sources Ltd. and its subsidiaries. All references to “fiscal” in connection with a year shall mean the year ended December 31.

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

PART I

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

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

ITEM 3. KEY INFORMATION

Selected Financial Data

The following historical financial information should be read in conjunction with the section entitled “Operating and Financial Review and Prospects” and our audited consolidated financial statements and related notes, which are included elsewhere in this document. The consolidated statements of income data for each of the three years ended December 31, 2003, 2004 and 2005 and selected consolidated balance sheet data as of December 31, 2004 and 2005 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in
The consolidated statements of income data for each of the years ended December 31, 2001 and 2002 and selected consolidated balance sheet data as of December 31, 2001, 2002 and 2003 are derived from our audited financial statements not included in this document.

### Income Statement Data:

<table>
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<tr>
<th></th>
<th>2001 (In Thousands, Except Per Share Data)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services</td>
<td>$91,859</td>
<td>$84,400</td>
<td>$87,685</td>
<td>$92,325</td>
<td>$97,062</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>2,619</td>
<td>2,455</td>
<td>3,327</td>
<td>13,010</td>
<td>14,300</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>807</td>
<td>631</td>
<td>657</td>
<td>511</td>
<td>832</td>
</tr>
<tr>
<td><strong>Total revenue:</strong></td>
<td>95,285</td>
<td>87,486</td>
<td>91,669</td>
<td>105,846</td>
<td>112,194</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>31,236</td>
<td>28,659</td>
<td>30,113</td>
<td>29,956</td>
<td>33,910</td>
</tr>
<tr>
<td>Event production</td>
<td>811</td>
<td>933</td>
<td>930</td>
<td>3,774</td>
<td>3,920</td>
</tr>
<tr>
<td>Community</td>
<td>13,325</td>
<td>13,099</td>
<td>13,155</td>
<td>17,890</td>
<td>20,623</td>
</tr>
<tr>
<td>General and administrative</td>
<td>32,158</td>
<td>28,267</td>
<td>27,858</td>
<td>30,329</td>
<td>33,641</td>
</tr>
<tr>
<td>Online services development</td>
<td>8,393</td>
<td>5,378</td>
<td>4,960</td>
<td>4,232</td>
<td>3,920</td>
</tr>
<tr>
<td>Non-cash compensation expense(1)</td>
<td>2,501</td>
<td>2,564</td>
<td>1,419</td>
<td>2,117</td>
<td>1,948</td>
</tr>
<tr>
<td>Other(2)</td>
<td>3,476</td>
<td>3,740</td>
<td>4,453</td>
<td>1,480</td>
<td>1,335</td>
</tr>
<tr>
<td><strong>Total operating expenses:</strong></td>
<td>91,900</td>
<td>82,640</td>
<td>82,888</td>
<td>89,778</td>
<td>99,297</td>
</tr>
<tr>
<td><strong>Income from operations:</strong></td>
<td>$3,385</td>
<td>$4,846</td>
<td>$8,781</td>
<td>$16,068</td>
<td>$12,897</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(172)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>357</td>
<td>439</td>
<td>122</td>
<td>219</td>
<td>1,624</td>
</tr>
<tr>
<td>Gain (loss) on sale of available-for-sale Securities</td>
<td>—</td>
<td>—</td>
<td>(40)</td>
<td>1,120</td>
<td>977</td>
</tr>
<tr>
<td>Foreign exchange gains (losses), net</td>
<td>(470)</td>
<td>50</td>
<td>—</td>
<td>240</td>
<td>(80)</td>
</tr>
<tr>
<td>Write-down of investments</td>
<td>(1,150)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Income before income taxes:</strong></td>
<td>1,950</td>
<td>5,335</td>
<td>8,863</td>
<td>17,647</td>
<td>15,418</td>
</tr>
<tr>
<td>Income tax provision</td>
<td>(1,143)</td>
<td>(720)</td>
<td>(668)</td>
<td>(651)</td>
<td>(759)</td>
</tr>
<tr>
<td><strong>Income before minority interest:</strong></td>
<td>$807</td>
<td>$4,615</td>
<td>$8,195</td>
<td>$16,996</td>
<td>$14,659</td>
</tr>
<tr>
<td>Equity in income of affiliate</td>
<td>51</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Minority interest</td>
<td>(83)</td>
<td>(308)</td>
<td>(861)</td>
<td>(1,227)</td>
<td>(1,281)</td>
</tr>
<tr>
<td><strong>Net income:</strong></td>
<td>$775</td>
<td>$4,307</td>
<td>$7,334</td>
<td>$15,769</td>
<td>$13,378</td>
</tr>
<tr>
<td>Basic net income per share</td>
<td>$0.0221</td>
<td>$0.1230</td>
<td>$0.2094</td>
<td>$0.4501</td>
<td>$0.3558</td>
</tr>
<tr>
<td>Diluted net income per share</td>
<td>$0.0221</td>
<td>$0.1230</td>
<td>$0.2093</td>
<td>$0.4492</td>
<td>$0.3550</td>
</tr>
<tr>
<td>Cash dividends declared per share</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares used in basic net income per share calculations(3)</td>
<td>35,014</td>
<td>35,020</td>
<td>35,027</td>
<td>35,033</td>
<td>37,598</td>
</tr>
<tr>
<td>Shares used in diluted net income per share calculations(3)</td>
<td>35,014</td>
<td>35,020</td>
<td>35,043</td>
<td>35,108</td>
<td>37,681</td>
</tr>
</tbody>
</table>

### December 31, (In U.S. Dollars Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
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<tr>
<td><strong>Balance Sheet Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$20,236</td>
<td>$11,009</td>
<td>$26,227</td>
<td>$41,195</td>
<td>$94,321</td>
</tr>
<tr>
<td>Available-for-sales securities</td>
<td>—</td>
<td>26,199</td>
<td>35,140</td>
<td>10,172</td>
<td>23,982</td>
</tr>
<tr>
<td>Total assets</td>
<td>53,602</td>
<td>62,650</td>
<td>82,541</td>
<td>92,525</td>
<td>171,680</td>
</tr>
<tr>
<td>Net assets</td>
<td>14,116</td>
<td>21,345</td>
<td>31,664</td>
<td>50,433</td>
<td>105,432</td>
</tr>
<tr>
<td>Long-term debt, less current portion</td>
<td>13,448</td>
<td>13,033</td>
<td>12,384</td>
<td>2,214</td>
<td>1,091</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>11,601</td>
<td>18,522</td>
<td>27,980</td>
<td>45,523</td>
<td>99,241</td>
</tr>
</tbody>
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Includes amortization of intangibles/software cost.

On March 1, 2005, we announced a one for ten bonus share issue on our outstanding common shares. For a further discussion on the bonus shares, please see Note 27 of our consolidated financial statements appearing elsewhere in this annual report. Fractional shares were rounded up resulting in an additional 521 common shares upon distribution of the bonus shares on April 1, 2005. On March 6, 2006, we once again announced a one for ten bonus shares issue on our outstanding common shares. All common shares and per-share amounts have been retroactively adjusted to reflect the one for ten bonus share issue for all periods presented. For a further discussion on the bonus shares, please see Note 29 of our consolidated financial statements appearing elsewhere in this annual report. Fractional shares were rounded up resulting in an additional 1,531 common shares upon distribution of the bonus shares on April 17, 2006.

Risk Factors

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

The Chinese market is key to our current and future revenue growth, and political instability or uncompetitive cost conditions in this market could reduce our revenue and seriously harm our business.

Our customers in China provided approximately 47% of our total revenues in fiscal 2004 and approximately 50% of our total revenues in fiscal 2005, and we believe our operations in China will continue to grow for the next several years. Our dependence on the China market and its revenues is significant, and adverse political changes or uncompetitive cost conditions in China may harm our business and cause our revenues to decline.

The Chinese government has instituted a policy of economic reform which has included encouraging foreign trade and investment, and greater economic decentralization. However, the Chinese government may discontinue or change these policies, or these policies may not be successful. Moreover, despite progress in developing its legal system, China does not have a comprehensive and highly developed system of laws, particularly as it relates to foreign investment activities and foreign trade. Enforcement of existing and future laws, regulations and contracts is uncertain, and implementation and interpretation of these laws and regulations may be inconsistent. As the Chinese legal system develops, new laws and regulations, changes to existing laws and regulations, and the interpretation or enforcement of laws and regulations may adversely affect business operations in China. While the Hong Kong SAR (Special Administrative Region) has had a long history of promoting foreign investment, its incorporation into China means that the uncertainty related to China and its policies may now affect the Hong Kong SAR.

Our customers are mainly suppliers who are based in China. Should China labor costs go up substantially and such cost costs are passed on to the customer (for example, due to limited skilled labor availability), China’s products may become less price competitive. If this occurs, it would likely have a negative impact on the demand in China for our various media and marketing services.

Our limited history in operating the China Sourcing Fair business as well as several factors outlined below could adversely affect our ability to operate our trade show business successfully and we can give no assurances that this business will be incremental to our growth.

Our first China Sourcing Fairs was held in Shanghai in 2003, so we have a fairly limited history of operating our China Sourcing Fair trade show business.
The first of a series of China Sourcing Fairs in the Hong Kong SAR, launched in April 2006, are held in a brand new venue in the Hong Kong SAR, Asia World-Expo, which many buyers have never visited before. In addition, there are substantial and long-established competing trade shows in the Hong Kong SAR and southern China, and we may not be able to attract the desired quantity and quality of buyers. Accordingly, because of the uncertainty of a new business launch and the competition, we may not achieve our desired sales objectives. Furthermore, in an effort to rapidly grow this business, additional personnel have had to be hired and additional capital has had to be expended, and we may be unable to effectively execute the operations, which would jeopardize our ability to be successful in this business.

Our various trade show businesses also require us to make substantial non-refundable deposits and progress payments to secure venue dates far in advance of our conducting the trade show.

For our trade shows in general, the date and location can greatly impact their profitability and prospects. The market for desirable dates and locations is highly competitive. If we cannot secure desirable dates and locations for our trade shows and conferences, their profitability and future prospects would suffer, and our financial condition and results of operations would be materially and adversely affected.

In addition, while we expect that a significant portion of our future revenues will be derived from our trade show business (in particular, our China Sourcing Fair business), several other factors could negatively affect our financial performance in this business, including:

- the spread of SARS, Avian influenza and other similar epidemics;
- political instability and the threat of terrorist attacks;
- natural catastrophes, labor strikes and transportation shutdowns
- decrease in demand for booth space;
- particularly in China, we may not always be able to obtain the required trade show licenses, which may limit the number of trade shows we are able to hold;
- competing trade shows; and
- our inability to effectively expand our staff and infrastructure.

In view of the various risks outlined above, we can give no assurances that our operation of the trade show business will be incremental to our growth.

Our limited experience in the direct online sales business as well as other factors could adversely affect our ability to operate this business successfully.

Our direct online sales business, primarily referred to by us as “Global Sources Direct”, is a brand new business, both for us and for most of the suppliers we are targeting as potential customers. The lack of an established history and track record for the effectiveness of this new sales channel, both on our part and in the industry, may make it difficult for us to successfully market this service to, and attract and maintain, a sufficient number of customers that we would need in order to ramp up this business to a scale that would be profitable for us.

Other factors that could adversely impair the success of our direct online sales business include the following:

- Most of the goods sold are air-shipped. The costs of air shipments are dependent to a large degree on oil prices. A substantial increase in oil prices may therefore result in air shipment becoming a cost prohibitive means of delivery.
• We rely on a variety of logistic service providers for executing and fulfilling our service. However, there are only a limited number of appropriate logistic service providers. If any one or more of them cease to operate, our ability to carry on the direct online sales service could be severely curtailed or impaired.

• We utilize payment processes provided by third parties. Many of these payment processors are from jurisdictions other than those of our relevant subsidiaries which operate our direct online sales business. These payment processors may therefore be reluctant to offer their payment process services to us, or may charge us high rates.

• We utilize credit card payment processes. Under the terms of our arrangements with the credit card payment processors, they are entitled to charge back amounts to us in the event of any fraudulent or disputed transaction. They may also decide to withhold or delay fund payments to us for an indefinite period, or even discontinue their arrangements with us, if the charge back rate is too high or frequent.

• We use various third parties’ online services (for example, for hosting and payment processing), and any disruptions to their services may adversely affect our own ability to complete transactions or may cause other disruptions to our own service.

• Online fraud and fraudulent orders are potential risks. We may not be able to detect, or we may not have detected or been aware of, such fraudulent circumstances, and if we act pursuant thereto (for example, by shipping products under a fraudulent order), we may subsequently be unable to collect payment, or be required to refund payments, or be liable for the costs or losses of the innocent victim.

General economic uncertainty, slowdowns, or recessions may reduce spending for business-to-business marketing services.

The revenue growth and profitability of our business depends significantly on the overall demand for business-to-business media and especially online marketplace services, trade publications and trade shows. We believe that the demand for these services is subject to the potentially negative impact of a number of factors, including the overall weakening of global economies. Such situations and events as these may give rise to a number of trends that adversely affect our business and revenues.

The international markets, and in particular the Asia-Pacific region, in which we do business are subject to political and economic instability, which may interfere with our ability to do business, increase our costs and decrease our revenues.

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

• fluctuations in regional economic conditions;

• political instability;

• the threat of terrorist attacks;

• conflicting and changing legal and regulatory requirements;

• restrictions placed on the operations of companies with a foreign status;

• significant changes in tax rates and reporting requirements;

• governments could increase trade protection measures including tariffs, quotas, import duties or taxes, thereby significantly reducing demand for imported goods;
• the loss of revenues, property and equipment from expropriation, nationalization, war, insurrection, terrorism and other political risks;

• adverse governmental actions, such as restrictions on transfers of funds;

• oil embargoes or significant increases in oil prices; and

• fluctuations in currency exchange rates.

In 2005, we derived more than 90% of our revenues from customers in the Asia-Pacific region. We expect that a majority of our future revenues will continue to be generated from customers in this region. At the time of the Asian economic crisis of 1997 and 1998, our revenues and operating results were adversely affected, and both our sales and revenues declined. If there is future political or economic instability in the Asia-Pacific region, our business may be harmed and our revenues may decrease.

Because we operate internationally, foreign exchange rate fluctuations may have a material impact on our results of operations. To the extent significant currency fluctuations occur in Asian currencies, our revenues and profits may be affected, relative to the United States Dollar. At the time of the Asian economic crisis of 1997 and 1998, certain of our contracts were denominated and priced in foreign currencies. The conversion of these contract proceeds into U.S. dollars resulted in losses and is indicative of the foreign exchange risk assumed by us. Currently, we do not hedge our exposure to foreign currency fluctuations.

Future outbreaks of Severe Acute Respiratory Syndrome (“SARS”), Avian influenza or other widespread public health problems could adversely affect our business.

In the event of future outbreaks of SARS, Avian influenza or other widespread public health problems, some ways in which our business might be adversely affected could include the following:

• quarantine or travel restrictions (whether required by government or public health authorities, or self-imposed) could result in the closure of some of our offices and other disruptions to our operations;

• sickness or death of our key officers and employees;

• a general slowdown in international trade and the global economy;

• our trade shows may have to be cancelled; and

• exhibitor and visitor participation at our trade shows, could be significantly curtailed or otherwise adversely affected.

We may not be successful in identifying, consummating and/or effectively integrating acquisitions, joint ventures and alliances to expand our business.

We are regularly evaluating potential strategic acquisitions, joint ventures and alliances and we believe that establishing such third-party relationships is a key component of our business strategy. However, we may not be successful in identifying acquisitions, joint ventures and alliances, or we may not be able to negotiate satisfactory terms or consummate the transactions successfully. In these circumstances, our growth potential may be harmed.

If we do identify and consummate an acquisition, joint venture or alliance, there is still a risk that we may not be able to integrate any new businesses, products or technologies into our existing business and operations. Alternatively, even if we are successful in integrating any new businesses, products or technologies into our existing business, we may not achieve expected results, or we may not realize other expected benefits.
We may not have sufficient access to capital to enter into acquisitions, joint ventures and alliances, or to expand our business, or to take advantage of organic or inorganic growth opportunities.

We may not have sufficient access to capital to enter into strategic acquisitions, joint ventures and alliances, or to expand our business, or to take advantage of organic or inorganic growth opportunities. In such circumstances, our growth potential may be harmed.

We rely on independent sales representative companies for the sales and marketing of our products and services and the loss of any significant sales representative company or employees of a sales representative company would harm our business and revenues.

We have agreements with various sales representative companies that employ sales representatives. Six sales representative companies in China are responsible for supplier accounts which in the aggregate accounted for approximately 50% of our total revenues for the year ended December 31, 2005. Generally, either we or the sales representative company may terminate the service agreement between them and us upon short notice. It is possible that we may not retain some of our sales representative companies, or they may not retain some of their sales personnel or be able to replace them with equally qualified personnel. Furthermore, if a sales representative company terminates its agreement with us, some of our customers with a direct relationship with that sales representative company or its personnel may terminate their relationship with us. Although these sales representative companies and their employees are independent from us, there can be no assurance that our reputation and our business will not be harmed by their acts or omissions. If sufficient numbers of employees are not recruited, properly trained, retained and managed by these sales representative companies, or if they perform poorly, or if our relationship with these sales representative companies fail or deteriorate, our business may be harmed.

Our growth could strain our resources, and if we are unable to implement appropriate controls and procedures to manage our growth, we may not be able to achieve our business objectives.

We plan to increase substantially the number of independent sales representative team members in China in order to pursue our business objectives. Our success will depend in part upon the ability of our senior management to implement and manage this growth effectively. To do this, additional new sales representative team members must be recruited and trained. If our new sales representative team members perform poorly, or if their training and management is unsuccessful, or if our relationships with our existing sales representative team members fail, our business may be harmed. To manage the expected growth of our operations, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. If we fail to manage our growth successfully, we will be unable to achieve our business objectives.

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

Our services will be attractive to suppliers only if buyers use our services to identify suppliers and purchase their products. The content, products and suppliers currently available through our various media, or made available by suppliers, may not be sufficient to attract and retain buyers as users of our services. If buyers and suppliers do not accept our media and services, or if we are unable to attract and retain a critical mass of buyers and suppliers for our media and services, our business will suffer and our revenues may decrease.

None of the buyers or suppliers that currently pay to use our services are under any long-term contractual obligation to continue using our services. A significant percentage of our customers do not renew their contracts and we experience high customer turnover from year to year. If we cannot replace non-renewing customers with new customers, our business could be adversely affected.

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

Our industry is intensely competitive, evolving and subject to rapid change. Barriers to entry are minimal, and competitors are able to launch new websites and other media at a low cost. Competition is likely to result in price reductions, reduced margins and loss of market share, any one of which may harm our business. We compete for our
share of customers’ marketing and advertising budgets with other online marketplaces, trade publications and trade shows. Competitors vary in size, geographic scope, industries served and breadth of the products and services offered. We may encounter competition from companies which offer more comprehensive content, services, functionality and/or lower prices. The marketing and pricing decisions of our competitors strongly influence our business. Increased competition in the industry has caused significant downward pricing pressure. To the extent that potential and existing customers make decisions solely or primarily on price, we may be unable to retain existing customers or attract new customers, or we may be forced to reduce prices to keep existing customers or to attract new customers.

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

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

The period between our initial contact with a potential customer and the purchase of our products and services is often long and unpredictable and may have delays associated with the lengthy budgeting and approval processes of our customers. This lengthy sales and implementation cycle may affect our ability to estimate our revenues in future quarters.

Our quarterly operating results may have seasonal fluctuations, and we may fail to meet analyst, investor and shareholder expectations.

We have experienced seasonal quarter-to-quarter fluctuations. Buyer’s usage of our media and services is typically relatively slower during the summer and year-end vacation and holiday periods. Additionally, our online and trade publication advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year. Virtually all of our largest trade shows are expected to be held in April and October of each year. The net result of the above seasonality is that second and fourth quarter revenues are likely to be substantially higher than the first and third quarter revenues. In 2005, approximately 28% of our revenue was generated during the second quarter and approximately 29% during the fourth quarter. The first quarter accounted for approximately 20% of revenue in 2005 and the third quarter accounted for approximately 23% of revenue in 2005. In addition, certain expenses associated with future revenues are likely to be incurred in the preceding quarters, which may cause profitability to be lower in those preceding quarters. Also, because event revenue is recognized when a particular event is held, we may also experience fluctuations in quarterly revenue based on the movement of annual trade show dates from one quarter to another, such as what happened in 2005 when IIC China show was moved from the second to the first quarter.

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

Our common shares have been traded in the public market for a limited time and this market may not be sustained. As a result of the April 2000 share exchange, 1,189,949 of our common shares were listed on the Nasdaq National Market. As of April 17, 2006 we had approximately 1,000 shareholders, and approximately 11,929,907 shares that were tradable on the Nasdaq National Market.

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

Future sales of common shares by us or our existing shareholders could adversely affect the prevailing market price of the common shares. As of April 17, 2006, we had 38,428,310 common shares outstanding, out of which at least 23,975,251 common shares outstanding are beneficially owned by people who may be deemed “affiliates,” as defined by Rule 405 of the Act, and are “restricted securities” which can be resold in the public market only if registered with the Securities and Exchange Commission or pursuant to an exemption from registration.

We cannot predict what effect, if any, that future sales of such restricted shares or the availability of shares for future sale, will have on the market price of the common shares from time to time. Sales of substantial amounts of common shares in the public market, or the perception that such sales could occur, could adversely affect prevailing market prices for the common shares and could impair our ability to raise additional capital through an offering of our equity securities.

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

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

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

Our share prices may fluctuate in response to a number of events and factors as outlined below.

Our share price may fluctuate in response to a number of events and factors such as quarterly variations in operating results; announcements of new services or pricing options by us or our competitors; changes in financial estimates and recommendations by securities analysts; failure to meet our financial guidance and/or the financial forecasts of analysts; the operating and share price performance of other companies that investors may deem comparable; news reports relating to trends in the Internet and information technology industry; announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments; or changes in laws in the countries in which we operate.
The loss of one or more of our executive officers or key employees, either to a competitor or otherwise, could harm our business.

Our executive officers and key employees are critical to our business. Our executive officers and key personnel may not remain with us and their loss may negatively impact our operations, and may reduce our revenues and cash flows. In particular, the services of our chief executive officer, chief financial officer, chief operating officer and chief information officer are important to our operations. If competitors hire our key personnel, it could allow them to compete more effectively by diverting customers from us and facilitating more rapid development of their competitive offerings. We do not maintain key man insurance on any of our executive officers.

Merle A. Hinrichs, our Chairman and Chief Executive Officer, is also our controlling shareholder and he may take actions that conflict with your interest.

As of April 17, 2006, Merle A. Hinrichs beneficially owned 61.2% of our common shares. Accordingly, Mr. Hinrichs controls the power to elect our directors, to appoint new management and to oppose actions requiring shareholder approval, such as adopting amendments to our articles of incorporation and approving mergers or sales of all or substantially all of our assets. Such concentration of ownership may have the effect of delaying or preventing a change of control even if a change of control is in the best interest of all shareholders. In addition, Mr. Hinrichs may still effectively control our company even if his share holdings are significantly reduced. There may be instances in which the interest of our controlling shareholder may conflict with the interest of a holder of our securities.

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

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

Risk of failure of our computer systems, network and communications hardware and software.

Our business depends on the high availability, good performance and strong security of our computer systems, network, and associated hardware and software. Any system interruptions, poor performance or security breaches impacting on Global Sources Online or any of our online sites may drive buyers and other registered users away and reduce the attractiveness of these sites to advertisers, and therefore adversely affect our business, financial condition and operating results.

We host our customer-facing computer systems with major Internet Service Providers (ISPs) in Singapore and the Hong Kong SAR. Interruptions to these ISPs’ hosting services could result from natural disasters as well as catastrophic hardware failures, software problems, extended power loss, telecommunications failure and similar events. While these ISPS have committed to provide disaster recovery facilities on request in such circumstances, nevertheless, if there is any failure, inability or delay on their part in providing such disaster recovery facilities as committed, serious and prolonged disruptions to our systems and services could result.

Although we support the integrity of our security with IDS (Intrusion Detection Systems), anti-virus and other tools as a precaution against hackings, denial-of-service and other cyber intrusions, such security systems and programs are not completely foolproof or error-free, and new updates to deal with the latest viruses or security threats may not yet be available or may not yet have been implemented. Hence, security breaches could still occur.
The failure of outside parties to meet committed service levels and information accuracy expectations may make our services less attractive to customers and harm our business.

We rely on outside parties for some information, licenses, product delivery and technology products and services. We rely on relationships and/or contractual agreements with software developers and providers, systems integrators and other technology firms to support, enhance and develop our products and services.

Although we have contracts with technology providers to enhance, expand, manage and maintain our computer and communications equipment and software, these service providers may not provide acceptable services. Services provided by third parties include hosting our Global Sources Online servers and database, maintaining our communications and managing the network and data centers which we rely on for the provision of our services. These relationships may not continue or may not be available on the same commercial terms in the future, which could cause customer dissatisfaction and/or a delay in the launch of new software or services.

We license some components of our technology from third parties. These licenses may not be available to us on the same commercial terms in the future. The loss of these licenses could delay the release or enhancement of our services until equivalent technology could be licensed, developed or otherwise obtained. Any such delay could have a material adverse effect on our business. These factors may deter customers from using our services, damage our business reputation, cause us to lose current customers, and harm our ability to attract new customers.

We have no direct control over the accuracy, timeliness or effectiveness of the information, products and services of these outside parties. As a result of outside party actions, we may fail to provide accurate, complete and current information about customers and their products in a timely manner and to deliver information to buyers and/or other registered users in a satisfactory manner.

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

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

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

Widely publicized security breaches involving the Internet or in online services generally, or our failure to prevent security breaches, may cause our current and potential customers not to use our products and services and adversely affect our revenues. We may be required to incur additional costs to protect against security breaches or to alleviate problems caused by these breaches. Our potential for growth depends on our customers’ confidence in the security of our products and services.

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

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

As Internet commerce continues to evolve, increasing regulation by federal, state or foreign agencies becomes more likely. Strict legal prohibitions on the transmission of unsolicited commercial e-mail, coupled with aggressive enforcement, could reduce our ability to promote our services and our ability to facilitate communications between suppliers and buyers and, as a result, adversely affect our business.

In addition, taxation of products and services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business and operating results.

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

We may be subject to legal liability for publishing or distributing content over the Internet or in our trade publications or at our trade shows.

We may be subject to legal claims relating to the content on Global Sources Online or our other websites, or the downloading and distribution of such content, as well as legal claims arising out of the products or companies featured in our trade publications and at our tradeshows. Claims could involve matters such as libel and defamation, patent, trademark, copyright and design infringement, fraud and invasion of privacy. Media companies have been sued in the past, sometimes successfully, based on the content published or made available by them. Like many companies in our industry, we have received notices of claims based on content made available on our website. In addition, some of the content provided on Global Sources Online is manually entered from data compiled by other parties, including governmental and commercial sources, and this data may have errors, or we may introduce errors when entering such data. If our content is improperly used or if we supply incorrect information, third parties may take legal action against us. In addition, we may violate usage restrictions placed on text or data that is supplied to us by third parties. Our insurance may not cover claims of this type, or may not provide sufficient coverage, which could harm our reputation and operating results.

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

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

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

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

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

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

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

In the past, we have received notices and suits alleging intellectual property infringements. Although, to date, there has been no successful litigation directed against us with respect to the infringement and/or improper use of the intellectual property rights of third parties, there can be no assurances that there will not be any successful litigation in the future.

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

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

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

We do not anticipate paying cash dividends in the foreseeable future and this may reduce the demand for our shares.

We do not anticipate paying cash dividends in the foreseeable future. This may reduce the demand for our shares.

ITEM 4. INFORMATION ON THE COMPANY

History and Development of the Company

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

While our core business facilitates exports from Asia to the world, we also facilitate trade from the world to Asia. In 1985, we launched *Electronics News for China* for this purpose. Today we have several publications, their associ-
ated websites plus events and conferences that provide information to electronic engineers and executives at manufacturing companies in China and throughout Asia.

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.

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

Our capital expenditures during the year ended December 31, 2005 amounted to $7.3 million, incurred mainly on office premises, for computers, software, reusable trade show booths, leasehold improvements, office furniture and software development. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed during the year ended December 31, 2005, amounted to $0.09 million.

Our primary operating offices are located in Shenzhen, China; Hong Kong SAR; Singapore and Manila, Philippines. Our registered office is located at Canon’s Court, 22 Victoria Street, Hamilton, HM 12, Bermuda, and our telephone number at that address is (441) 295-2244. Our website address is http://www.globalsources.com. Information contained on our website or available through our website is not incorporated by reference into this annual report and should not be considered a part of this annual report.

Business Overview

We are a leading business-to-business (B2B) media company that provides information and integrated marketing services, with a particular focus on the Chinese market. Our mission is to facilitate global trade between buyers and suppliers by providing export marketing services and sourcing information. Although our range of media has grown, for more than 35 years we have been in the same primary business of helping buyers worldwide find products and suppliers in Asia.

Buyers rely on our media to stay current with available purchasing opportunities. Suppliers use our media to find new buyers and markets for their products. We believe we offer the most extensive range of media and export marketing services in the industries we serve. Suppliers using our four primary channels – online marketplaces, magazines, trade shows and direct online sales – are supported by our advertising creative services, education programs and online content management applications.

We have a significant presence across a number of industry sectors including electronics, fashion accessories, hardware and gifts. We are particularly strong in facilitating China’s two-way trade of electronics, China’s largest import and export sector. Our revenue from China has grown 124% since 2000.

We serve an independently certified community of more than 479,000 active members in some 230 countries and territories. This buyer community has more than doubled in size from 209,000 at the end of 2000. During 2005, buyers sent more than 5.8 million sales leads, or requests for information (RFIs) to the 130,000 suppliers listed on Global Sources Online, up from 2.4 million for the year 2000.

We are diversified in terms of products and services offered, industries served and our customer base. We have powerful and valuable assets including: the Global Sources brand; leading products and market positions; a long history and extensive presence in China; and substantial online leadership and expertise. We believe that all of these provide a strong platform for success and that we are well positioned to grow along with China’s exports and imports in the industry segments within which we operate.
The following table sets forth our revenue by category for the last three fiscal years:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services</td>
<td>$ 87,685</td>
<td>$ 92,325</td>
<td>$ 97,062</td>
</tr>
<tr>
<td>Exhibitions - trade shows and seminars</td>
<td>3,327</td>
<td>13,010</td>
<td>14,300</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>657</td>
<td>511</td>
<td>832</td>
</tr>
<tr>
<td></td>
<td><strong>$ 91,669</strong></td>
<td><strong>$ 105,846</strong></td>
<td><strong>$ 112,194</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>$ 84,856</td>
<td>$ 97,876</td>
<td>$ 104,746</td>
</tr>
<tr>
<td>United States</td>
<td>5,970</td>
<td>6,573</td>
<td>6,175</td>
</tr>
<tr>
<td>Europe</td>
<td>437</td>
<td>597</td>
<td>679</td>
</tr>
<tr>
<td>Others</td>
<td>406</td>
<td>800</td>
<td>594</td>
</tr>
<tr>
<td>Consolidated</td>
<td><strong>$ 91,669</strong></td>
<td><strong>$ 105,846</strong></td>
<td><strong>$ 112,194</strong></td>
</tr>
</tbody>
</table>

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at 55% of total revenue during fourth Quarter of 2005. Our revenue is derived from three primary sources:

- **Online Services** - Our primary service is creating and hosting marketing websites that present suppliers’ product and company information in a consistent and easily searchable manner on Global Sources Online. We also derive revenue from banner advertising fees.

- **Other Media Services** - We publish trade magazines, which consist primarily of 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. We also derive revenue from buyers that subscribe to our trade publications.

- **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 manufacturers in China and other Asian countries. The first fair was held during the fourth quarter of 2003. Future fairs will be held mainly in the second quarter and fourth quarter of each financial year.

### Industry Background

**Global Trade and the Role of China**

Over the past few decades, as communications and logistics technologies have improved and as more free trade agreements have been signed, international trade has grown at a pace far exceeding the growth of overall global production. Asia, and China in particular, have been significant contributors to the growth of global trade.

Greater China defined as mainland China, Hong Kong and Taiwan, is the world’s largest merchandise exporter. Mainland China, especially, is rapidly expanding as both an exporter and an importer of goods and services. According to the OECD, China’s 2005 exports reached $762 billion, up 28% compared to 2004, while imports grew by 17% to $660 billion. Also, China has overtaken the United States as the world’s largest exporter of information and communications technology goods.
China has become a major manufacturer and exporter of a wide range of products, due to its significant labor cost advantages, large population, improving quality controls and increasing amounts of foreign investment. Being admitted to the WTO in 2001 was a very important turning point for China. Membership led to a dramatic shift in global trade, with more orders flowing to China and away from traditional supply markets.

With a population that is more than 15 times as large as the Hong Kong SAR, Taiwan and South Korea combined, and with comparably more manufacturing facilities, the potential scale of China as an exporter is very substantial. China’s exporters include state-owned enterprises, joint ventures and a rapidly growing number of entrepreneurial companies. Many of these companies are relatively inexperienced with exporting.

With thousands of manufacturers spread across vast regions, and given the large distances between them and their customers, it is difficult for buyers and suppliers to identify and communicate with one another. Accordingly, buyers’ search and evaluation costs, and suppliers’ advertising and marketing expenses can be substantial.

The Role of Media in Global Trade

In global trade, media play a key role in helping suppliers and buyers find, connect and transact with each other. To facilitate this, media companies provide three major offerings—online marketplaces, trade publications and trade shows. Many media companies, however, offer just one or two of these types of media.

For media companies doing business in Asia, the fragmentation existing in many markets presents significant challenges. They need to find, qualify and visit tens of thousands of suppliers and then assist them to promote their products to the global marketplace. Building a sales force to contact these suppliers is a significant undertaking and typically requires substantial financial and manpower commitments and resources. In particular, there is a huge challenge to effectively and efficiently hire, train and manage a network of sales representatives across such an immense area, where multiple jurisdictions have varying legal requirements, languages, currencies and customs.

Buyers rely on media to stay current with all available purchasing opportunities. They use the media to identify and pursue new suppliers with which they can compare both pricing and product quality with their existing suppliers. They also seek to purchase new product lines appropriate to their distribution channels. Buyers choose media based on the quality and quantity of information relevant to their interests, and on the range and flexibility of the formats and delivery methods.

Most suppliers frequently introduce new products and actively seek new buyers and markets through the use of media. Their objective is to make sure their products are seen by as many potential buyers as possible, and sold to buyers that will provide them the best price and the right order size. Suppliers select media based on the number and quality of buyers reached, and on the reputation of the medium and its cost. Also, particularly in China, creative services for ad design and English language copywriting play a significant role in media selection. Suppliers measure the return on their promotional investments by the quantity and quality of sales leads, or RFIs, that they receive, and where possible, by the actual orders generated.

Operators of online marketplaces generate most of their business from selling marketing services to suppliers, such as hosting and publishing a suppliers’ website or catalog, and from advertising. Online marketplaces have the advantages of content depth and timeliness and provide a venue where suppliers can make detailed product and company information accessible to buyers.

Trade magazine publishers garner the vast majority of their revenue from the sale of advertising. Magazines offer buyers the convenience of portability while offering suppliers a proven medium that delivers a targeted audience. Magazine advertising formats are effective since they enable suppliers to do high-impact, display advertising that can strongly position their company and their products. Advertising in trade magazines contributes greatly to making buyers aware that a company is a potential supplier, and if the buyer is in an active sourcing mode, these advertisements often stimulate the buyer to make an inquiry, visit the supplier’s website and/or visit the suppliers booth at a trade show.
Trade show organizers generate most of their business from selling booth space to suppliers. Trade shows play a unique role in the sales process since they allow sellers to make face-to-face presentations to buyers and to negotiate and take orders at the booth. In international trade, this is something that cannot be accomplished by online or print media.

Many suppliers want to reach their customers and prospects in multiple ways: online, in print and in person at trade shows. Suppliers need this full range of media to make sure they reach their entire target market, because of the benefits of different exposures to buyers, and because each of the media plays a different role in the sales cycle.

Our Offerings

Our primary business relates to connecting buyers worldwide with suppliers in Asia and other emerging markets. However, we also enable trade in the other direction with a range of media that facilitate selling to Asia and China.

We provide a broad set of business-to-business (B2B) media products and services to stimulate and streamline the marketing and sourcing processes of global trade. In particular, we believe that we are the largest company offering such an integrated solution to suppliers and buyers engaged in international trade with China.

Buyers request information and purchase goods from suppliers who market themselves through our online services, trade magazines and trade shows. We provide information to help buyers evaluate numerous sourcing options so they can place orders with suppliers that offer them the best terms. We help suppliers market their products and their capabilities to our community of buyers worldwide. By receiving inquiries from a wide selection of buyers, suppliers have more opportunities to achieve the best possible terms, and to learn about the demand and specific requirements in different markets.

With the combination of our online, print and trade show offerings, supported by our creative and production services, we offer suppliers a virtual one-stop shop for most of their export marketing communications needs. Moreover, we believe that we are uniquely capable of helping suppliers create and deliver integrated marketing programs that impact all stages of the buying process – from awareness and lead generation – right through to purchase orders.

Media for Buyers Worldwide

Online Services

Through Global Sources Online, our online marketplace, buyers are able to identify and make inquiries to suppliers. Our primary source of revenue is from suppliers who pay for marketing websites. Each marketing website is comprised of a home page, a company profile and a virtual showroom containing product profile pages on the supplier’s products. Each product profile page contains detailed product information, specifications and full color images. Many suppliers choose to supplement their marketing websites with additional online marketing services. For example, suppliers can sponsor a particular product or other search category and when a buyer searches that category, the supplier’s banner advertisement is displayed promoting its products or services, with a link to that supplier’s marketing website.

Buyers can reach a large potential supply base on Global Sources Online by searching among, and/or making inquiries to approximately 130,000 suppliers who are categorized according to the products they can supply. In listing suppliers for a specific product, we give prominence to those who maintain marketing websites with us.

A key feature of Global Sources Online for buyers is the standard format for suppliers’ information, making it unnecessary for buyers to leave our website to visit numerous individual supplier websites, each with a different data structure and design. Another important feature is our “Product Alert.” Buyers register their profiles and are then notified by e-mail whenever there is new advertising or editorial content in the product categories they specified.
Trade Publications

We publish ten monthly publications, plus other quarterly and seasonal publications, that are circulated to buyers worldwide. Our trade publications contain paid advertisements from suppliers, as well as our independent editorial features, which include market reports and product surveys. In addition to our paid subscription base, we distribute samples of our trade magazines free-of-charge to qualified buyers worldwide at a variety of trade shows and events.

Trade Shows

We have six China Sourcing Fairs scheduled for 2006 in the Hong Kong SAR. The shows bring buyers from around the world to meet face-to-face with suppliers. The first China Sourcing Fair was held in Shanghai in October 2003. Regarding our 2005 China Sourcing Fairs, Electronics & Components and Gifts & Home Products were each held twice in Shanghai – once in the spring and once in the fall. The fall shows attracted over 37,000 buyers from 136 countries and featured nearly 1,900 booths. The spring shows featured nearly 1,600 booths and were attended by over 38,000 buyers from 117 countries and territories.

Direct Online Sales

In 2005 we launched Global Sources Direct. This new initiative enables suppliers to sell their products online – both in China and internationally through multiple online channels, including eBay International sites and Global-SourcesDirect.com. The service facilitates the sale of wholesale lots, or what some call LCL or ‘less than container load’ orders, and enables buyers to import without having to understand or deal with most of the intricacies involved.

Advertising Creative Services

We offer our customers advertising and marketing creative services, which assist them in communicating their unique selling propositions and in executing integrated marketing campaigns across our online services, trade magazines and trade shows. Account managers and copywriters in our customer service centers assist suppliers with creative services including digital photography of products, translation, copywriting, ad layout and quality control. Basic media and creative services are included in our media charges.

China Sourcing Reports

We currently have more than 100 different reports for sale and we are scheduled to publish more than 60 reports in 2006. Formerly called, Market Intelligence Reports, each China Sourcing Report provides extremely detailed, product-specific information on suppliers and supply market conditions throughout Greater China that is based on our factory visits, face-to-face interviews, and detailed questionnaires. Revenue is derived from sales to buyers.

Private Catalogs

Our Private Supplier Catalogs enable suppliers to enter, manage, update and distribute their product and company data for a variety of online marketing and cataloging applications. We provide tools within the catalog to assist suppliers with creating, updating and posting content. Also the catalogs are maintained in a private, password-protected environment where the catalog user has the sole right of access and data entry. We currently derive little revenue from these services.

Media for Engineers and Executives in China and Asia

In addition to our primary media, which connect export suppliers in Asia with buyers worldwide, we are a leading provider of information to electronics engineers and executives within Asia. For this segment of our business, we have seven websites, seven magazines and host several conferences and events each year.
Strategy

Our objective is to be the preferred provider of essential information and integrated marketing solutions in the markets we serve, with a particular emphasis on the large and rapidly growing China market. Our primary strategy to achieve this objective is to serve our industry sectors with each of online, trade publication and trade show media. This full range of media enables suppliers to reach their target market in multiple ways. This strategy can also enable us to achieve a competitive advantage versus other media companies who do not provide this full range of media.

Our growth strategy has six key components: continue to expand in China; expand our trade show business; develop new or related verticals; cross-sell services to existing customers; develop Global Sources Direct; and seek acquisitions, joint ventures and alliances.

- **Continue to Expand in China.** We are 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. Our revenue from China has grown approximately 124% since 2000 and we expect revenue from China to continue to grow.

- **Expand Trade Show Business.** We are focused on expanding our trade show business and in particular our China Sourcing Fairs. Throughout 2005, substantial progress was made in establishing trade shows as a powerful addition to our online and print media – and in building the foundation to operate a much larger trade show business. We are also considering shows for new product categories and shows in new locations, such as our recent announcement of a China Sourcing Fair in Dubai in 2007.

- **Develop New or Related Verticals.** We continue to develop new and related verticals. We launched two new verticals last year. Garments & Textiles and Auto Parts & Accessories. In 2006, we launched Electronics Design – China in March and we recently announced the upcoming 2006 launch of a magazine and online marketplace titled Baby & Children’s Products.

- **Cross-Sell Services to Existing Customers.** We believe that we can increase our revenues by cross-selling our existing products and services to suppliers who are already 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. For example, we have many trade show exhibitors who are new customers to Global Sources – who are now primary prospects for our online marketplaces and magazines.

- **Develop Global Sources Direct.** In 2006, the focus will include expanding and training the sales team, adding products to the website, expanding online marketing and developing the systems required to sell to multiple countries.

- **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 and maintain and achieve market-leading positions. Specific objectives include: gaining greater penetration into existing or adjacent industry sectors, expanding into new industry sectors, and gaining access to a larger number of potential users.

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.
**Products & Services**

*Media for Buyers Worldwide*

**Online Services**

*Global Sources Online*, our primary online service, is comprised of the following industry sector marketplaces:

- Computer Products
- Electronic Components
- Electronics
- Fashion Accessories
- Garments & Textiles
- Auto Parts & Accessories
- Hardware & DIY
- Security Products
- Telecom Products
- Gifts & Home Products

**Trade Publications**

We publish the following industry-specific trade magazines monthly:

- Global Sources Auto Parts & Accessories
- Global Sources Garments & Textiles
- Global Sources Computer Products
- Global Sources Gifts & Home Products
- Global Sources Electronic Components
- Global Sources Hardware & DIY
- Global Sources Telecom Products
- Global Sources Fashion Accessories

**Trade Shows**

<table>
<thead>
<tr>
<th>Trade Show</th>
<th>Description</th>
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<tbody>
<tr>
<td>Global Sources China Sourcing Fair: Gifts &amp; Home</td>
<td>- Primary product categories include: gifts, premiums &amp; toys; sporting goods;</td>
</tr>
<tr>
<td>Products</td>
<td>Christmas &amp; holiday products; stationery; health &amp; beauty products; kitchen &amp;</td>
</tr>
<tr>
<td></td>
<td>household appliances; DIY &amp; home center; furniture &amp; furnishings; garden &amp;</td>
</tr>
<tr>
<td></td>
<td>outdoor products; and lighting &amp; electrical.</td>
</tr>
<tr>
<td></td>
<td>- Spring and fall 2006 events in Hong Kong.</td>
</tr>
<tr>
<td>Global Sources China Sourcing Fair: Electronics</td>
<td>- Primary product categories include: personal &amp; mobile electronics;</td>
</tr>
<tr>
<td>&amp; Components</td>
<td>computers &amp; networking products; electronic components; security &amp; safety</td>
</tr>
<tr>
<td></td>
<td>products; telecom products &amp; accessories; and home &amp; office electronics.</td>
</tr>
<tr>
<td></td>
<td>- Spring and fall 2006 events in Hong Kong.</td>
</tr>
<tr>
<td>Global Sources China Sourcing Fair: Fashion</td>
<td>- Primary product categories include: handbags, special purpose bags,</td>
</tr>
<tr>
<td>Accessories</td>
<td>footwear, hats and caps, umbrellas, belts, sunglasses, gloves, ties, socks,</td>
</tr>
<tr>
<td></td>
<td>watches, luggage, swimwear, bridal products, lingerie and sleepwear.</td>
</tr>
<tr>
<td></td>
<td>Spring and fall 2006 events in Hong Kong.</td>
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</table>
**Media for Asian Engineers and Executives**

### Magazines

<table>
<thead>
<tr>
<th>Magazine</th>
<th>Description</th>
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<tbody>
<tr>
<td>Electronic Engineering Times - Asia</td>
<td>• Editions published bi-weekly in simplified and traditional Chinese, Korean and English; provides design engineers with innovative design ideas and in-depth technology analysis.</td>
</tr>
<tr>
<td>Electronic Design - China</td>
<td>• Published monthly in simplified Chinese; provides electronics design &amp; development engineers and engineering managers with the latest in emerging technology and ‘how-to’ methodologies.</td>
</tr>
<tr>
<td>Electronics Supply &amp; Manufacturing - China</td>
<td>• Published monthly in simplified Chinese; provides electronics manufacturers in China with the business and technology information.</td>
</tr>
<tr>
<td>Global Sources Chief Executive China</td>
<td>• Published monthly in simplified Chinese; serves mainland China senior management with case studies and information on management techniques and strategies.</td>
</tr>
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### Websites

<table>
<thead>
<tr>
<th>Website</th>
<th>Description</th>
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<tbody>
<tr>
<td>Electronic Engineering Times - Asia Online</td>
<td>• Provides industry news, new product information and technical features covering new technology and its application; websites in traditional and simplified Chinese, English and Korean; and several application specific websites for Chinese engineers.</td>
</tr>
<tr>
<td>Electronic Design – China Online</td>
<td>• Provides China’s design engineers with access to detailed solutions, methodologies and white papers.</td>
</tr>
<tr>
<td>Electronic Supply &amp; Manufacturing – China Online</td>
<td>• Provides corporate engineering, procurement and manufacturing management with access to new manufacturing strategies, technology and supplier news.</td>
</tr>
<tr>
<td>Global Sources Chief Executive China Online</td>
<td>• A resource focusing on excellent management practices for China’s business leaders in simplified Chinese.</td>
</tr>
<tr>
<td>Global Sources Career Sources China Online</td>
<td>• Provides resources and information regarding career opportunities.</td>
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Trade Shows and Exhibitions

<table>
<thead>
<tr>
<th>Trade Show</th>
<th>Description</th>
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<tbody>
<tr>
<td>The 12th Annual International IC - China Conference &amp; Exhibition</td>
<td>• Mainland China’s premiere showcase of integrated circuits (IC) application technologies and high-end components.</td>
</tr>
<tr>
<td></td>
<td>• Spring 2006 events in mainland China’s key technology hubs Shenzhen, Beijing and Shanghai.</td>
</tr>
<tr>
<td>The 6th Annual Embedded Systems Conference - Taiwan</td>
<td>• Taiwan’s largest showcase of embedded systems design, skills training and technologies.</td>
</tr>
<tr>
<td></td>
<td>• August 2006 event in Taipei.</td>
</tr>
<tr>
<td>The 14th EDA-&amp;-Test - Taiwan Conference &amp; Exhibition</td>
<td>• Asia-Pacific’s largest, longest-running showcase of electronic design automation and test technologies.</td>
</tr>
<tr>
<td></td>
<td>• August 2006 in Taipei.</td>
</tr>
</tbody>
</table>

Customers

We provide services to a broad range of international buyers and suppliers in various industry sectors.

Suppliers

During 2005, more than 7,900 suppliers paid us for marketing or advertising services. More than 7,300 of these suppliers were located in greater China, including approximately 4,600 located in mainland China, 1,800 in Taiwan and 980 in the Hong Kong SAR. No individual supplier customer represented more than 2% of our revenue during 2005.

Buyers

For our primary group of media, which connect export suppliers in Asia with buyers worldwide, we serve an independently certified community of more than 479,000 active members in more than 200 countries and territories. This figure is based on procedures to ensure that only buyers who have received a magazine or who have made an inquiry through the Global Sources website within the 12 month period ended December 31, 2005 are extracted from the databases. This community is up from approximately 209,000 at the end of 2000.

We have developed our services primarily for retailers, distributors and manufacturers who import in volume for resale. We serve a specialized group of senior executives with large import buying power. We believe a significant portion of these executives are owners, partners, presidents, vice presidents, general managers or directors of their respective companies.

We derive a relatively small proportion of our total revenue from these buyers for subscriptions to our magazines and for China Sourcing Reports.

Sales and Marketing

Our sales organization consists of approximately 1,211 independent representatives in approximately 67 cities worldwide, with 48 of these locations in Greater China. We have a staff of 40 full-time employees that oversee and monitor the independent sales representative organizations that employ these representatives. These organizations operate pursuant to service agreements with us that generally are terminable by either party on short notice. These representatives focus on developing and maintaining relationships with suppliers that are current customers and they seek to increase the number of new suppliers using our services. Substantially all of our contracts with suppliers are entered into directly between the supplier and us. Online services and print advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year. Revenue for trade shows is highly seasonal as it is...
recognized in the month in which each show is held. Our sales representatives collectively make an average of 50,000 supplier visits per month. The largest representative sales offices are located in Beijing, Guangzhou, Shanghai, Shenzhen, the Hong Kong SAR and Taipei. Our six sales representative organizations in China accounted for approximately 50% of our total revenue in 2005.

Our marketing strategy leverages our database of approximately 130,000 suppliers currently listed on Global Sources Online. Sophisticated analyses of buyer and supplier profile data enable us to target our sales and marketing programs to new geographic areas and to specific product categories within industry sectors.

Our sales representative organizations are generally structured to offer an integrated marketing solution of our media to customers. Most of the sales representative organizations have the primary responsibility of selling our online and print media while other sales representative organizations are focused on selling trade show booth space. Our community development group is responsible for marketing our services to the global buyer community through online advertisements and promotions, search engine marketing, trade shows and direct mail campaigns.

Content Development

Our content development group, comprised of 439 team members, is responsible for compiling, editing, integrating and processing the content that appears in our online services and print media. Within content development, the advertisement operations and editorial groups compile materials from suppliers and freelance writers, respectively, and transform these materials into the advertising and editorial content. Research teams analyze customer content usage to direct content development and they work with sales representatives and marketing staff to develop appropriate content for new industry sectors. Our site team is responsible for evaluating and integrating content into our online services, as well as maintaining the overall integrity of such services. In addition, members of the content development group manage the pre-press production work and print production processes associated with the creation of our trade magazines. They also maintain the back-end supplier database, which is the foundation for our online supplier and product information.

Strategic Relationships

We own 60.1% of a joint venture with CMP Media Inc., through UBM Asia B.V., a subsidiary of United News & Media plc. We entered into the joint venture in September 2000, to provide new technology content, media and online services for the Asian electronics market, focusing on new opportunities in the greater China market.

In November 2001, we formed a strategic alliance with the WorldWide Retail Exchange, LLC (WWRE), to offer a supplier sourcing program for WWRE members and Asian suppliers. This evolved in 2005 to a new and expanded agreement with Agentrics LLC, which was recently formed by the merger of WWRE and GlobalNetXchange LLC. Agentrics LLC is an organization representing 50 global retailers with $1 trillion in annual sales, including some of the world’s largest retailers.

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

In August 2005, one of the Company’s subsidiaries, eMedia Asia Limited (“eMedia”), formed a strategic alliance with Penton Media Inc. (“Penton”) to launch Electronic Design - China, a simplified Chinese edition of Penton’s electronics magazine, Electronic Design. This new Electronic Design – China publication aims to provide the latest technology and application methodologies to design engineers and engineering managers in China. The online website was launched in January 2006, and the first print monthly issue was launched in March 2006. eMedia is also entitled to draw content from Penton’s electronics publications, including Electronic Design, EE Product News and Microwaves & RF. A description of the agreements between eMedia and Penton is set out in the “Material Contracts” section.

HC International, Inc. (“HC International”) is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On May 24, 2006, we entered into an agreement for the acquisition of a certain
amount of shares of HC International. We have also entered into a call option deed for a certain amount of shares of
HC International, and another call option deed for a certain amount of shares of an indirect subsidiary of HC Inter-
national. Details of these arrangements are set out in the “Material Contracts” section. This is a strategic investment
by us, with the intention of establishing a strategic relationship with HC International. Our aim is to leverage the
strengths, assets and customer relationships of the Company and HC International, to offer enhance services to sup-
pliers and buyers. However, the nature and extent of this strategic relationship are matters which are yet to be fully
determined, but we intend to explore areas of potential synergies and co-operation with HC International in the com-
ing months.

Technology and Systems

We use a combination of commercial software and internally developed systems to operate our websites and ser-
vices.

We have invested $8.2 million for years 2004 and 2005 combined in online services development.

As of December 31, 2005, we had 144 team members engaged in technology development, maintenance, software
customization and data center operations.

As of December 31, 2005, our online marketplace services are run on the Oracle DBMS release 9i. The catalog
application that supports Global Sources Online’s core functions uses a Java platform.

Our servers are hosted by Singapore Telecommunications (“SingTel”). We have dual redundant 100Mbps link con-
nection directly to SingTel’s IX backbone, while SingTel maintains a 2,015 Mbps link to the United States and di-
rect links to most countries in Asia.

We use StorageTek Enterprise tape back-up systems as well as servers located at our Singapore facility for back-up.
We have deployed EMC SAN Enterprise disk storage systems for mission critical data and load balancers and appli-
cation accelerators for traffic workload balancing, redundancy and response time management respectively.

For the year ended December 31, 2005 our external network had approximately 99.99% uptime availability.

Our platform applications deploy standard industry database protocols. We can, therefore, integrate our systems
with products from third-party vendors. Our offerings are also based on industry standard Web technologies and we
are able to deploy with the aid of most common industry browser solutions.

Where appropriate, our systems use secure socket layer, (SSL), to encrypt sensitive communications between
browsers and Web servers. We also use Extensible Markup Language, (XML), as an open communication protocol
for information delivery to various applications and/or partners.

Competition

For our online marketplaces, trade magazines and trade show services, the market is highly fragmented and potential
competition and competitors vary by the range of services provided, geographic focus and the industry sector served.
Some competitors only offer trade shows and other competitors only offer online services.

We may compete to some extent with a variety of organizations that have announced their intention to launch, or
have already launched, products and services that compete to a certain degree with ours. These businesses include
business media companies, trade show organizers, government trade promotion bodies, domestic retail marketplaces,
international trade marketplaces, global standards organizations, transaction software and services providers, elec-
tronic sourcing application and/or service providers, and distributor, sell-side marketplaces. We may be at a com-
petitive disadvantage to companies that have greater financial resources, that have more advanced technology, that
have greater experience or that offer lower cost solutions than ours. In addition, some buyers and suppliers may have
developed in-house solutions for the online sourcing and marketing of goods and may be unwilling to use ours.
**Intellectual Property**

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

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

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

We have registered trademarks for “Asian Sources” and/or “Global Sources” in Australia, the European Community, Germany, Hong Kong SAR, India, Indonesia, Israel, Malaysia, Mexico, Japan, the Philippines, the People’s Republic of China, Singapore, South Korea, Switzerland, Taiwan, Thailand, Turkey and the USA, and we have applications for these trademarks pending registration in various countries, including Egypt, India, Indonesia, Malaysia, South Africa and Thailand.

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

**Government Regulation**

Our services are subject to government regulation.

**Internet Regulation**

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

**Regulation of Communications Facilities**

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

Properties

During 2004, we entered into a contract for the purchase of approximately 9,000 square meters of office space in the
Shenzhen International Chamber of Commerce Tower in Shenzhen, Guangdong province, People’s Republic of
China, at a purchase price of approximately $19.0 million. Full payment of the purchase price was made during
2004, the physical handover of the premises occurred on or around March 30, 2005 and we have received the title
certificates. Our usage right in respect of this property is for a period of 50 years, expiring on 7 January 2052, after
which the land could revert to the China government. In addition, we generally lease our office space under cancel-
able and non-cancelable arrangements with terms of two to five years, generally with an option to renew upon ex-
piry of the lease term. We lease in the aggregate approximately 112,715 square feet of executive and administrative
offices in China, Hong Kong SAR, the Philippines, Singapore and Taiwan. Our aggregate base rental and building
management fee payments for the year ended December 31, 2005 were approximately $1.4 million.

Legal Proceedings

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Overview

We are a leading business-to-business (B2B) media company and a primary facilitator of two-way trade with
Greater China. We provide sourcing information to volume buyers and integrated marketing services to suppliers.
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 35 years we have been in the same
basic business of helping buyers worldwide find products and suppliers in Asia.

We believe we offer the most extensive range of media and export marketing services to our suppliers in the indus-
tries we serve through our four primary channels – online marketplaces, magazines, trade shows and direct online
sales.

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. 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.

In April 2000, we completed a share exchange with a publicly traded company based in Bermuda, and our share-
holders 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.
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.

*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 recognize revenue from our Online and other media services ratably over the period in which the advertisement is displayed. Our advertising contracts do not exceed one year.

*Exhibitions – trade shows and seminars* – Our China Sourcing Fairs offer international buyers direct access to China and other Asian manufacturers. The first China Sourcing fair was held during the fourth quarter of 2003. We held two series of three China Sourcing fairs in each the second quarter and fourth quarter of 2004 and a series of two China Sourcing fairs in each the second quarter and fourth quarter of 2005. Future China Sourcing fairs will be held mainly in the second quarter and fourth quarter of each financial year. International IC China Conferences and Exhibitions were held in March 2004 last year and these same exhibitions were held in April 2005 in current year. We derive revenue from exhibit space rental, advertising and sponsorship fees for advertisements in show guide, on billboards and banners and other forms of advertisements at and around our event venues. We also receive fees from attendees to our conferences held during the events. 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 from exhibitions will grow as a percentage of total revenue in future years as we hold more China Sourcing Fairs.

Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of this document. The following is a discussion of our critical accounting policies:

*Revenue Recognition*

We derive our revenue primarily from receipt of advertising fees in our published trade magazines and websites, sale of trade magazines and reports, receipt of fees from licensing our trade and service marks, organizing exhibitions and business seminars and commission income from consignment sales.

Revenue from advertising in trade magazines and websites is recognized ratably over the period in which the advertisement is displayed. Advertising contracts do not exceed one year. When multiple deliverables are contracted under a single arrangement, we allocate the total consideration to each unit of accounting on a pro-rata method based on its relative percentage of the total fair value of all units of accounting included in the arrangement. Revenue from sales of trade magazines and reports is recognized upon delivery of the magazine / report. Magazine subscriptions received in advance are deferred and recognized as revenue upon delivery of the magazine. Revenue from organizing exhibitions and business seminars is recognized at the conclusion of the event and the related direct event production costs are deferred and recognized as expenses upon conclusion of the event.

We received license fees and currently receive royalties from licensing our trade and service marks. Revenue from license fees was recognized ratably over the term of the license. Royalties from license arrangements are earned ratably over the period in which the advertisement is displayed by the licensee.
We derive commission income on the re-sale of our customers’ products on a consignment basis. The commission income which is the sales proceeds, net of the cost of the purchased products payable to the consigner is recognized upon conclusion of the sale to the buyer.

The correct measurement of timing and the duration of the contracts with our customers are essential to the recognition of our revenue. Any delays in recognizing the revenue could cause our operating results to vary significantly from period to period. In addition, our revenue recognition determines the timing of certain expenses such as commissions, circulation expenses, and direct event production costs.

**Capitilization of Development Costs of Software for Internal Use**

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

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

Our policies on capitalized software development costs determine the timing and our recognition of certain development costs. In addition, these policies determine whether the costs are capitalized or recorded as expenses.

**Estimation of Allowance for Doubtful Debts**

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

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

**Impairment of Long-Lived Assets**

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

We periodically review the carrying values of our long-lived assets and recognize an impairment loss whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. The recoverability of an asset is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment loss, measured based on the difference between the carrying amount of the asset and its fair value, is recognized.

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

**Exhibition events promotion costs**

The event specific promotion costs for our exhibition events incurred in the interim quarterly periods are deferred and recognized as expenses when the related events are held during the financial year. The event specific promotion
costs incurred for events to be held in the future financial years are expensed by the year-end in which such ex-
penses are incurred.

Proper identification of the promotion expenses to the particular events is essential to recognize the costs correctly to
the respective events and in the respective interim periods.

**Results of Operations**

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

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income statement data:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services</td>
<td>95%</td>
<td>87%</td>
<td>86%</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>4</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total revenue</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>33</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>Event production</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Community</td>
<td>14</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>General and administrative</td>
<td>30</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Online services development</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Non-cash compensation</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>90</td>
<td>85</td>
<td>88</td>
</tr>
<tr>
<td>Income from operations</td>
<td>10%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Net income</td>
<td>8%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>93%</td>
<td>92%</td>
<td>93%</td>
</tr>
<tr>
<td>United States</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Europe</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total revenue</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2005 Compared to Fiscal Year 2004**

**Revenue**

Total revenue grew to $112.2 million during the year ended December 31, 2005 from $105.8 million during year
ended December 31, 2004, a growth of 6%. Our online and other media services revenue grew by $4.8 million or
5% to $97.1 million during the year ended December 31, 2005, as compared with $92.3 million during the year
ended December 31, 2004 due to a 13% growth in our China market and the growth in our Hong Kong and Taiwan
markets off-set by drop in some of our other markets during the year ended December 31, 2005. China represented
48% of Online and other media services revenue during the year ended December 31, 2005 compared to 45% during
the year ended December 31, 2004. Our exhibitions revenue grew from $13.0 million during the year ended Decem-
ber 31, 2004 to $14.3 million during the year ended December 31, 2005, a growth of 10%, due mainly to growth in revenue of our International IC China Conferences and Exhibitions for the year 2005.

We have made substantial progress in developing our customer base in China, our largest market. Total revenue from China grew by 12% during the year ended December 31, 2005 compared to the year ended December 31, 2004. China accounted for 50% of total revenue during the year ended December 31, 2005 compared to 47% of total revenue during the year ended December 31, 2004. We expect China as a percent of total revenue to continue to grow and China revenue overall to continue to grow.

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 $30.0 million for the year ended December 31, 2004 to $33.9 million for the year ended December 31, 2005, due to an increase in sales commissions as a result of increase in revenue and increase in sales marketing costs and sales promotions for exhibitions.

Event Production

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 $3.8 million during the year ended December 31, 2004 to $3.9 million during the year ended December 31, 2005, an increase of 3% due to increase in venue rental charges.

Community

Effective from the year 2005 we are presenting the promotions costs incurred for promoting our technical conferences, exhibitions and seminars to buyer community and the printing and mailing costs of our marketing inserts business under community costs in our income statement. Accordingly such promotion costs and printing and mailing costs for year 2004 have been reclassified to community costs from general and administrative costs to conform to our 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 and marketing inserts business, specifically printing, paper, bulk circulation, magazine subscription promotions, promotions for our on-line services, customer services costs, payroll costs relating to staff working on these activities and the event specific promotions costs incurred for promoting the China Sourcing Fairs events and the technical conferences, exhibitions and seminars to the buyer community. The event specific promotion costs for the exhibition events incurred in the interim quarterly periods are deferred and recognized as expenses when the related events are held during the financial year. The event specific promotion costs incurred for events to be held in the future financial years are expensed by the year-end in which the expenses are incurred.
Community costs increased from $17.9 million during the year ended December 31, 2004 to $20.6 million during the year ended December 31, 2005, an increase of 15% due mainly to increase in bulk mailing costs, printing charges, paper costs, fees paid to consultants and promotion costs for our exhibition events. In addition, we increased our participation in third party trade shows to promote our products and services to buyer community. We also incurred promotions for our online services and these are expensed as incurred. 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 by 11% from $30.3 million during the year ended December 31, 2004 to $33.6 million during the year ended December 31, 2005, due mainly to increases in information technology support services costs, content management services costs, marketing costs, depreciation and building management fees on new office premises that we purchased, administration support costs for our exhibitions and trade shows activity, travel costs and payroll costs.

Online Services Development

Online services development costs consist mainly of payroll, office rental and depreciation costs relating to the updating and maintenance of Global Sources Online.

Online services development costs to fund the updating and maintenance of our online services declined from $4.2 million during the year ended December 31, 2004 to $3.9 million during the year ended December 31, 2005, a decline of 7%. This decline resulted mainly from a decline in depreciation costs and equipment and software maintenance costs.

Non-Cash Compensation Expense

We have issued share awards under several equity compensation plans (ECP) to both employees and team members. We also recognize non-cash compensation expenses relating to the shares purchased by our directors under Directors Purchase Plan.

The total non-cash compensation expense, resulting from the ECP and the Directors Purchase Plan, recorded by us declined by 10% from $2.1 million during the year ended December 31, 2004 to $1.9 million during the year ended December 31, 2005. The decline was a result of the re-measurement of equity compensation expense based on our prevailing share price and forfeiture of the unvested awards to the resigned staff.

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

Other Non-cash Expenses

Other non-cash expenses consist of amortization of software costs.

Amortization of software cost during the year ended December 31, 2005 was $1.3 million compared to $1.5 million during the year ended December 31, 2004.

Income From Operations

The total income from operations during the year ended December 31, 2005 was $12.9 million compared to $16.1 million during the year ended December 31, 2004. The decline was mainly due to increases in sales costs, event production costs, community costs and general and administrative costs, off-set partially by growth in revenue and declines in online services development costs, non-cash compensation expenses and amortization of software costs. Income from operations for online and other media services declined from $17.7 million during the year ended De-
cember 31, 2004 to $13.5 million during the year ended December 31, 2005, a decline of 24%. The decline resulted
mainly from increases in sales costs, community costs and general and administrative costs, off-set partially by
growth in online and other media services revenue and declines in online services development costs, non-cash
compensation expenses and amortization of software costs.

Gain (loss) on Sale of Available-for-sale Securities

We recorded a gain of $1.0 million arising from the sale of available-for-sale securities and interest and dividend
income of $1.3 million arising from available-for-sale securities during the year ended December 31, 2005 com-
pared to $1.1 million gain and interest and dividend income of $0.09 million during the year ended December 31,
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 cer-
tain other countries.

We reported a tax provision of $0.8 million during the year ended December 31, 2005 and $0.7 million during the

Net Income

Net income was $13.4 million during the year ended December 31, 2005, compared to a net income of $15.8 million
during the year ended December 31, 2004. The decline was mainly due to increases in sales costs, event production
costs, community costs, general and administrative costs, foreign exchange losses, tax provision, share of profits
attributable to a minority shareholder and decline in gain on sale of available-for-sale securities, off-set partially by
increases in revenue, interest and dividend income and declines in online services development costs, non-cash
compensation expenses and amortization of software costs.

Fiscal Year 2004 Compared to Fiscal Year 2003

Revenue

Our total revenue grew to $105.8 million during the year ended December 31, 2004 from $91.7 million during the
year ended December 31, 2003, a growth of 15%. Our online and other media services revenue grew by $4.6 million
or 5% to $92.3 million during the year ended December 31, 2004, as compared with $87.7 million during the year
ended December 31, 2003 due primarily to a 9% growth in our China market and the growth in our Hong Kong,
Japan and USA markets off-set by drop in some of our other markets during the year. Our exhibitions revenue grew
from $3.3 million during the year ended December 31, 2003 to $13.0 million during the year ended December 31,
2004, a growth of 294%, due mainly to increase in number of our China Sourcing Fairs events held in year 2004.

We have made substantial progress in developing our customer base in China, our largest market. Revenue from
China grew by 26% during the year ended December 31, 2004 compared to the year ended December 31, 2003 par-
tially as a result of increase in China Sourcing Fairs revenue. China accounted for 47% of total revenue during the

Operating expenses

Sales

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 or-
ganizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated.

Sales costs marginally declined from $30.1 million during the year ended December 31, 2003 to $30.0 million during the year ended December 31, 2004, due to increase in sales commissions as a result of increase in revenue, offset by reduction in sales marketing costs and a $0.7 million write-back of provision for doubtful debts no longer required due to improvement in our collections performance.

Event Production

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 $0.9 million during the year ended December 31, 2003 to $3.8 million during the year ended December 31, 2004, due to increase in number of our China Sourcing Fairs events held in the year 2004.

Community

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, magazine subscription promotions, promotions for our on-line services, customer services costs and the event specific promotions costs incurred for promoting the China Sourcing Fairs events to the buyer community.

Community costs increased from $13.2 million during the year ended December 31, 2003 to $17.9 million during the year ended December 31, 2004, an increase of 36% due mainly to increase in event specific promotion costs incurred for promoting our China Sourcing Fairs events held in the second and fourth quarters of 2004 to the buyer community. We also recorded $0.4 million event specific promotion costs incurred for our China Sourcing Fairs to be held in second and fourth quarters of 2005 in Shanghai, China and our Sourcing Fairs to be held in second and fourth quarters of 2006 in Hong Kong. We recorded increases in bulk mailing costs, printing charges, paper costs and magazine subscription promotion costs for our print publications business and promotions for our online services and these are expensed as incurred. 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.

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 by 9% from $27.9 million during the year ended December 31, 2003 to $30.3 million during the year ended December 31, 2004, due mainly to increases in content management services costs, marketing costs, fees paid to consultants, professional fees paid in connection with the filing of our shelf registration statement, and administration support costs for our exhibitions and trade shows activity.

Online Services Development

Online services development costs consist mainly of payroll, office rental and depreciation costs relating to the updating and maintenance of Global Sources Online.

Online services development costs to fund the updating and maintenance of our online services declined from $5.0 million during the year ended December 31, 2003 to $4.2 million during the year ended December 31, 2004, a de-
cline of 16%. This decline resulted mainly from a decline in depreciation costs off-set partially by increase in fees paid to consultants

Non-Cash Compensation Expenses

We have issued share awards under several equity compensation plans (ECP) to both employees and team members. We also recognize non-cash compensation expenses relating to the shares purchased by our directors under Directors Purchase Plan.

The total non-cash compensation expense, resulting from the ECP, recorded by us increased by 50% from $1.4 million during the year ended December 31, 2003 to $2.1 million during the year ended December 31, 2004 due mainly to new share awards in January 2004, re-measurement of equity compensation expense based on our prevailing share price and forfeiture of the unvested awards to the resigned staff.

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

Other Non-Cash Expenses

Other non-cash expenses consist of amortization of software costs.

Amortization of software cost during the year ended December 31, 2004 were $1.5 million, compared to $4.5 million for the year ended December 31, 2003.

Income From Operations

The total income from operations during the year ended December 31, 2004 was $16.1 million compared to $8.8 million during the year ended December 31, 2003. The improvement was primarily due to growth in revenue and declines in online services development costs, and amortization of software costs, off-set partially by an increase in event production costs, community costs, general and administrative costs and non-cash compensation expenses. Income from operations for online and other media services grew from $9.4 million during the year ended December 31, 2003 to $17.7 million during the year ended December 31, 2004, a growth of 88%. The growth resulted mainly from growth in online and other media services revenue, declines in online services development costs and amortization of software costs, off-set partially by increases in community costs, general and administrative costs and non-cash compensation expense.

Gain (loss) on Sale of Available-for-Sale Securities

We recorded a gain of $1.1 million arising from the sale of available-for-sale securities and an interest and dividend income of $0.09 million arising from the available-for-sale securities during the year ended December 31, 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 $0.7 million during the year ended December 31, 2004 and during the year ended December 31, 2003.

Net Income

Net income was $15.8 million during the year ended December 31, 2004, compared to a net income of $7.3 million during the year ended December 31, 2003. The improvement was mainly due to growth in revenue, increases in interest income, gain on sale of available-for-sale securities and foreign exchange gains, after charging increases in,
event production costs, community costs, general and administrative costs, non-cash compensation expenses and increase in the share of profits attributable to a minority shareholder during the year ended December 31, 2004 due to profitable performance of a subsidiary, off-set partially by declines in online services development costs and amortization of software costs.

Liquidity and Capital Resources

We financed our activities for the year ended December 31, 2005 using cash generated from our operations.

Net cash generated from operating activities was $35.6 million during the year ended December 31, 2005, compared to $22.5 million cash generated from operating activities during the year ended December 31, 2004. The primary source of cash from operating activities was collections from our customers received through our independent sales representative organizations.

Advance payments received from customers were $53.0 million as of December 31, 2005, compared to $30.2 million as at December 31, 2004, improving our liquidity. A majority of our customers in China pay us in advance for our Online and other media services business. Our Exhibitions business collections are all advance payments. We expect the growth in our revenues from China to continue and we plan to launch more Exhibition events in the future. As a result, we expect that the advance payments received from customers to continue to increase in the future as our revenue increases.

Receivable from sales representatives increased from $3.4 million as of December 31, 2004 to $5.7 million as of December 31, 2005 due to the growth in our China business and our exhibitions business. We expect the receivable from sales representatives to slightly increase due to expected growth in our China business and our Exhibitions business.

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 in future.

Net cash used for investing activities was $20.9 million during the year ended December 31, 2005, resulting mainly from the net purchases of available-for-sale securities of $13.8 million and $7.3 million cash used for capital expenditures mainly on office premises, for computers, software, reusable tradeshow booths, leasehold improvements, office furniture and software development, off-set partially by $0.2 million proceeds from matured bonds. Net cash generated from investing activities during the year ended December 31, 2004 was $3.8 million, which resulted principally from net sale of available-for-sale securities of $24.5 million and $0.4 million proceeds from matured bonds off-set partially by $21.1 million capital expenditures for purchase of office premises then under construction, computers, software, software development, office furniture and leasehold improvements.

Capital expenditures during the three months period ended March 31, 2006 amounted to $0.7 million and were inurred mainly for computers, software, office furniture, leasehold improvements and software development. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed during the year ended December 31, 2005 and the three months ended March 31, 2006 amounted to $0.09 million and $NIL, respectively.

We invest our excess cash in available-for-sale securities to generate income from interest received as well as capital gains, while the funds are held to support our business. The majority of the available-for-sale securities have maturities of less than 3 months.

Generally, we hold the securities with specified maturity dates such as Treasury Bills until their maturity but the securities managed by high quality institutions that do not have fixed maturity dates are generally sold on a quarterly basis and proceeds reinvested in similar securities. The net purchase of available-for-sales securities of $13.8 million was from the funds we received from issue of common shares during the first half of the year.
We do not engage in buying and selling of securities with the objective of generating profits on short-term differences in price.

Net cash generated from financing activities was $38.4 million during the year ended December 31, 2005, resulting from the $38.3 million proceeds from the issue of common shares, net of share issue expenses and $0.1 million received from directors for the shares subscribed by them in the Directors Purchase Plan. Net cash used for financing activities was $11.3 million during the year ended December 31, 2004, resulting from a repayment of $11.4 million owed to a shareholder, offset partially by $0.1 million received from directors for the shares subscribed by them in the Directors Purchase Plan.

On March 23, 2005 we issued 3,000,000 common shares of par value $0.01 at US$13.50 per share. The total proceeds received from this issue was approximately $38.3 million, net of the offering expenses of $2.2 million. Out of the total proceeds, $0.03 million was included in the common share capital and the balance approximately $38.27 million was included in additional paid in capital.

We intend to use the net proceeds from the sale of our common shares of approximately $38.3 million for working capital, general corporate purposes and strategic acquisitions.

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 December 31, 2005, the unutilized amount under this facility was approximately $0.3 million. Hongkong and Shanghai Banking Corporation Limited has also provided a guarantee on our behalf to our suppliers. As at December 31, 2005, such guarantee amounted to $0.003 million.

We recorded a full valuation allowance for the deferred tax assets of $7.4 million as at December 31, 2005 as it was more likely than not that they would not be realized. These deferred tax assets resulted from the net operating losses in some of our subsidiaries.

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 December 31, 2005, we paid $5.0 million under these agreements. The amounts paid will be expensed when the related events are held.

We also entered into several agreements for the event specific promotion of our exhibition events amounting to $4.0 million, in payments over four years. As of December 31, 2005, we paid $1.5 million under these agreements.

During the third quarter of 2004, we entered into an agreement to purchase approximately 9,000 sq meters of office space in a commercial building in Shenzhen, China at a purchase price of $19.0 million, which was fully paid during the year 2004. The construction was completed by end of March 2005. The renovation of the premises was completed and the premises was occupied during fourth quarter of 2005.

In August 2005, one of our subsidiaries, eMedia Asia Limited (“eMedia”) entered into an agreement with Penton Media Inc, (“Penton”) to publish and distribute, in certain Asian territories, local language editions of Penton’s “Electronic Design” publication, relating to the electronic design industry. The first edition to be launched was a simplified Chinese edition in mainland China entitled “ Electronic Design-China”, the online website of which was launched in January 2006, and the first monthly issue of which was launched in March 2006. Under the agreement eMedia pays Penton forty per cent of the net after-tax profits of the business and also an annual content license fee for usage of Penton’s editorial material. There was no revenue generated from this publication during the year 2005.
The following table summarizes our contractual obligations as at December 31, 2005:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases</td>
<td>$ 350</td>
<td>$ 350</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities for incentive and bonus plans</td>
<td>467</td>
<td>160</td>
<td>307</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>3,555</td>
<td>2,337</td>
<td>1,218</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,372</td>
<td>$ 2,847</td>
<td>$ 1,525</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

On March 1, 2005, we announced a one for ten bonus share issue on our outstanding common shares. Shareholders of record on March 4, 2005 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, 2005. We have reclassified $0.029 million from additional paid in capital to common share capital as of December 31, 2005 and December 31, 2004, in connection with the bonus share issue.

On March 6, 2006, we once again announced a one for ten bonus share issue on our outstanding common shares. Shareholders of record on March 15, 2006 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 or about April 17, 2006. All common shares and per-share amounts in the consolidated financial statements and related notes appearing elsewhere in this annual report have been retroactively adjusted to reflect the one for ten bonus share issue for all periods presented. In addition, we have reclassified $0.035 million and $0.032 million from additional paid in capital to common share capital as of December 31, 2005 and December 31, 2004 respectively, in connection with the bonus share issue.

HC International, Inc. (“HC International”) is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On May 24, 2006, Trade Media Holdings Limited (“TMH”), a wholly-owned subsidiary of the Company, IDG Technology Venture Investment, Inc. (“IDGVC”) and International Data Group, Inc. (“IDG”) entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which IDGVC has conditionally agreed to transfer 47,858,000 shares or 10% of the issued share capital of HC International, being part of its shareholding interests in HC International, to TMH at a consideration of approximately $9.9 million or approximately $0.2063 per share, of HC International (the “HC Share(s)”), which is subject to adjustment to approximately $13.9 million or approximately $0.2896 per HC Share (the “HC Share Transfer”), if and when HC International achieves a certain benchmark with reference to the HC International group’s performance during the Option Period (as defined below) or upon completion of the sale and purchase of the Option HC Shares (as defined below). IDG, being the sole shareholder of IDGVC, has agreed to guarantee the due and punctual discharge of IDGVC of its obligations under the Sale and Purchase Agreement. Completion of the HC Share Transfer is subject to the fulfilment of the conditions as set out in the Sale and Purchase Agreement, which include obtaining all relevant consents, governmental and regulatory approvals (if any) and a confirmation from the Hong Kong Securities and Futures Commission (the “SFC”) that no mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”) will be triggered as a result of the transactions contemplated under the Sale and Purchase Agreement. Completion is expected to take place by the end of June 2006. Upon completion of the HC Share Transfer, we will own, together with 5,916,000 HC Shares (which represent approximately 1.24% of the issued share capital of HC International as at May 24, 2006) currently owned by us, an approximate 11.24% equity interest in HC International. It is the intention of HC International to invite Merle Hinrichs, our Chairman and Chief Executive officer who is also a director of TMH, to join HC International’s board as a non-executive director upon completion of the HC Share Transfer.

TMH also entered into a call options deed (the “HC Options Deed”) with IDGVC, Guo Fansheng (“Guo”) and others which include certain members of the senior management of HC International (the “Option Grantors”), pursuant to which each of the aforesaid Option Grantors has agreed, subject to completion of the Sale and Purchase Agreement, to grant to TMH, (i) a right (the “HC Options”) exercisable during the 12-month period from the date of the completion of the Sale and Purchase Agreement (the “Option Period”) to purchase all, but not in part only, of the 167,722,814 HC Shares owned by the respective parties (representing approximately 35.05% of the entire issued share capital of HC International) and any HC Shares that may be issued by HC International to certain directors of
HC International if the options granted in accordance with the share option schemes of HC International (amounting to an aggregate of 4,185,320 Option HC Shares) are exercised, which together amount to a maximum of approximately 35.61% of the entire issued share capital of HC International (the “Option HC Share(s)”) at an exercise price of approximately $0.2896 per Option HC Share; and (ii) an undertaking to accept any offer for the Option HC Shares at a price not less than approximately $0.2896 per Option HC Share, during the Option Period.

Huicong Construction Co., Ltd. (“Huicong Construction”), in which Guo has an 80% equity interest, entered into a call option deed (the “Beijing Huicong Option Deed” and together with the HC Options Deed, the “Option Deeds”) with TMH, pursuant to which Huicong Construction has agreed, subject to completion of the Sale and Purchase Agreement, to grant to TMH a right (the “Beijing Huicong Option” and together with the HC Options, the “Options”) exercisable during the Option Period, to purchase (or to nominate a subsidiary of TMH to purchase) from Huicong Construction its entire 18% equity interest (“Beijing Huicong Equity Interest”) in Beijing Huicong International Information Co., Ltd. (“Beijing Huicong”), a 82% indirect subsidiary of HC International, at an aggregate exercise price of approximately $31.9 million.

The HC Options and the Beijing Huicong Option are inter-conditional. The sale and purchase of the Beijing Huicong Equity Interest is subject to confirmation from the SFC. If the SFC’s confirmation is not forthcoming, the sale and purchase of the Beijing Huicong Equity Interest will not be completed but TMH may proceed with the completion of the sale and purchase of the Option HC Shares.

Pursuant to the terms of the Beijing Huicong Option Deed and subject to the completion of the sale and purchase of the Beijing Huicong Equity Interest, Huicong Construction will also be required to transfer or assign its licenses and related contracts in relation to the provision of internet information and content services in the People’s Republic of China to a TMH-nominated company, but pending such transfer or assignment, Huicong Construction has agreed to continue to provide services in relation to the internet content provider license to Beijing Huicong in the same manner and on the same terms as currently agreed.

The exercise and completion of the HC Options by TMH, if materialized, will result in a change in control of HC International (as our aggregate shareholding in HC International will increase from approximately 11.24% to a maximum of approximately 46.75%) and will trigger an obligation on the part of TMH to make a general offer in compliance with Rule 26 of the Code to acquire all the issued HC Shares (other than those already owned by TMH or parties acting in concert with it).

We have no bank debt as at December 31, 2005.

We anticipate that our cash and securities on hand and expected positive cash-flows from our operations will be adequate to satisfy our working capital, capital expenditure requirements and cash commitments based on the current levels of our operations.

Recent Accounting Pronouncements

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. In September, 2004, the FASB issued FSP EITF Issue “03-1-1”, “Effective Date of Paragraphs 10-20 of EITF 03-1, The Meaning of Other Than Temporary Impairment”, delaying the effective date for the recognition and measurement guidance of EITF 03-1, as contained in paragraphs 10-20, until certain implementation issues are addressed and a final FSP providing implementation guidance is issued. The disclosure requirements of the consensus remain in effect. In November, 2005 the FASB issued FSP FAS 115-1 and FAS 124-1. The FSP FAS 115-1 and FAS 124-1 nullifies certain requirements of EITF 03-1 and is applicable for reporting peri-
ods beginning after December 15, 2005. We do not expect the adoption of EITF 03-1 to have a material effect on our results of operations and financial condition.

In December 2004, the FASB issued SFAS No. 123R, “Share-Based Payment” (“SFAS 123R”), a revision of SFAS No. 123, “Accounting for Stock-Based Compensation.” SFAS 123R requires, among other things, measurement of all employee stock-based compensation awards using a fair value method and recording such expense in the consolidated financial statements. In April 2005, the Securities and Exchange Commission adopted a new rule that allows implementation of SFAS 123R at the beginning of next fiscal year beginning after June 15, 2005. We will not be required to adopt Statement 123R until January 1, 2006. We do not expect the adoption of SFAS 123R to have a material effect on our financial statements of position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections, a replacement of Accounting Principles Board (“APB”) Opinion No. 20 and FASB Statement No. 3.” (“SFAS 154”). SFAS 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle. It also requires that the changes in accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. The statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a material impact on our consolidated financial statements.

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 our 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 and the Chinese currency, which is informally 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 relative to the U.S. Dollar, or if the Hong Kong dollar is no longer pegged to the U.S. Dollar, our revenue and expenses may fluctuate in tandem thus reducing the net impact on our profits.

In the years ended December 31, 2004 and 2005, we have not engaged in foreign currency hedging activities.

During the years ended December 31, 2004 and 2005, we derived more than 90% of our 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.
### ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merle A. Hinrichs</td>
<td>64</td>
<td>Director, Chairman and Chief Executive Officer</td>
</tr>
<tr>
<td>Eddie Heng Teng Hua</td>
<td>55</td>
<td>Director and Chief Financial Officer</td>
</tr>
<tr>
<td>J. Craig Pepples</td>
<td>45</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Bill Georgiou</td>
<td>61</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>Sarah Benecke</td>
<td>49</td>
<td>Director</td>
</tr>
<tr>
<td>Roderick Chalmers</td>
<td>58</td>
<td>Director</td>
</tr>
<tr>
<td>David F. Jones</td>
<td>41</td>
<td>Director</td>
</tr>
<tr>
<td>Jeffrey J. Steiner</td>
<td>69</td>
<td>Director</td>
</tr>
<tr>
<td>James Watkins</td>
<td>60</td>
<td>Director</td>
</tr>
</tbody>
</table>

Mr. Hinrichs has been a director since April 2000 and is currently our Chairman and Chief Executive Officer. A co-founder of the business, he was the principal executive officer of our predecessor company, Trade Media Holdings Limited, a Cayman Islands corporation wholly owned by us (“Trade Media”), from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrichs was chairman of the ASM Group, which included Trade Media. Mr. Hinrichs is a director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrichs graduated from the University of Nebraska and Thunderbird, the American Graduate School of International Management (“Thunderbird”). Mr. Hinrichs is a co-founder and former chairman of the Society of Hong Kong Publishers. He is a member of the board of trustees of Thunderbird and is a board member of the Economic Strategy Institute. His term as director expires in 2006.

Mr. Heng has been the Chief Financial Officer (previously entitled vice president of finance) since 1994 and has been a director since April 2000. He joined us in August 1993 as deputy to the vice president of finance. He received an MBA from Shiller International University in London in 1993, is a Singapore Certified Public Accountant, a member of the Institute of Certified Public Accountants, Singapore, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Prior to joining us, he was the regional financial controller of Hitachi Data Systems, a joint venture between Hitachi and General Motors. His term as director expires in 2007.

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

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

Ms. Benecke has been a director since April 2000, and, since 1993, has been a director of Trade Media Holdings Ltd. Ms. Benecke was our principal executive officer from January 1994 through August 1999. She joined us in May 1980 and served in numerous positions, including publisher from 1988 to December 1992 and chief operating officer in 1993. Since September 1999, Ms. Benecke has been a consultant to Publishers Representatives, Ltd. (Hong Kong), a subsidiary of our company. Ms. Benecke is also a director of Hintak Ltd. (Hong Kong). She graduated with a B.A. from the University of New South Wales, Australia. Her term as director expires in 2007.

Mr. Chalmers has been a director since October 2000. He has been the Chairman of the Board of Directors of the Bank of Valetta, Malta Banking since 2004. He was chairman, Asia-Pacific, of PricewaterhouseCoopers LLP (“PwC”) and a member of PwC’s Global Management Board from 1998 until his retirement in July 2000. He is a 30-year veteran with PwC’s merger partner Coopers & Lybrand with specialist experience in the securities industry. He has at various times been a non-executive director of the Hong Kong SAR Securities and Futures Commission, a
member of the Takeovers and Mergers Panel, and chairman of the Working Group on Financial Disclosure. He is a
director of Gasan Group Limited (Malta) and Gasan Mamo Insurance Co. Limited (Malta). His term as director
expires in 2006.

Mr. Jones has been a director since April 2000. He is currently Executive Director at CHAMP Private Equity, a
leading Australian buy-out firm. Mr. Jones was an executive at Macquarie Direct Investment, a private equity firm
He is currently a director of the following companies: Castle Harlan Australian Mezzanine Partners Pty. Limited, an
Australian buyout firm; and Australian Discount Retail Pty Limited. Mr. Jones has an MBA from Harvard Business
School and is a mechanical engineering graduate from the University of Melbourne. Mr. Jones serves as Chairman
of the Audit Committee for Australian Discount Retail Pty Limited. His term as director expires in 2008.

Mr. Steiner has been a director since November 1999. Mr. Steiner also has been a director of The Fairchild Corpo-
ration (“Fairchild”) since 1985. He has been the chairman of the board and chief executive officer of Fairchild from
December 1985 to the present. Mr. Steiner was president of Fairchild from July 1991 to September 1998. His term
as director expires in 2006.

In 2003, Mr. Jeffrey Steiner was convicted in France on a charge of unjustified use (in 1990) of the corporate funds
of Elf Acquitaine, which is a criminal offense in France. Mr. Steiner was given a suspended sentence of one year
and ordered to pay a fine of €500,000 by the French court. The French Court has since ordered that €259,000 of the
€500,000 fine assessed against Mr Steiner be withdrawn from a part of the surety (caution) previously deposited by
Fairchild in the Court.

In November 2004, Mr. Jeffrey Steiner was named in Noto v. Steiner, et al., and Barbonel v. Steiner, et al., in the
Court of Chancery of the State of Delaware in and for New Castle County, Delaware. The plaintiffs in these actions
are shareholders of Fairchild and purport to bring actions derivatively on behalf of Fairchild, claiming, among other
things, that Fairchild executive officers have received excessive pay and perquisites in violation of fiduciary duties
to Fairchild. The complaints name Mr. Steiner, as well as all of Fairchild’s directors, as defendants. On October 24,
2005, a copy of a “Notice of Hearing and Proposed Supplemental Settlement of The Fairchild Corporation Stock-
holder Derivative Litigation” (the “Derivative Settlement”) was mailed to all shareholders of Fairchild and was filed
with the SEC. On November 23, 2005, the Court of Chancery approved the Derivative Settlement, which approval
became final on December 23, 2005.

Mr. Watkins was appointed as a casual director on February 28, 2005, and was re-elected as a director at the Annual
General Meeting on May 9, 2005. Mr. Watkins was a Director and Group General Counsel of the Jardine Matheson
Group in Hong Kong from 1997 until 2003. He was Group Legal Director of Schroders plc in 1996-1997 and of
Trafalgar House plc from 1994-1996. He was previously a partner and solicitor in the London and Hong Kong off-
ceices of Linklaters from 1975 to 1994. He currently is a non-executive Director of Mandarin Oriental International
Ltd, Jardine Cycle & Carriage Ltd, MCL Land Ltd and Advanced Semiconductor Manufacturing Corporation Ltd
and is a member of the Audit Committees of Jardine Cycle & Carriage Ltd and MCL Land Ltd and the Chairman of
the Audit Committee of Advanced Semiconductor Manufacturing Corporation Ltd. Mr Watkins has a law degree
from the University of Leeds (First Class Hons.). His term as director expires in 2008.

Compensation

For the year ended December 31, 2005, we and our subsidiaries provided our nine directors and executive officers as
a group aggregate remuneration, pension contributions, allowances and other benefits of approximately $2,827,448
including the non-cash compensation of $486,645 associated with the share award and ECP plans. Of that amount,
$105,000 was paid under a performance based, long-term discretionary bonus plan which we implemented in 1989
for members of our senior management. Under the plan, members of senior management may, at our discretion,
receive a long-term discretionary bonus payment. The awards, which are payable in either five or ten years time, are
paid to a member of senior management if his or her performance is satisfactory to us. There are three current
members of senior management and two former members of senior management who may receive payments on ma-

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In 2005, we and our subsidiaries incurred $29,510 in costs to provide pension, retirement or similar benefits to our respective officers and directors pursuant to our retirement plan and pension plan.

In addition to the above, during the year ended December 31, 2005, we recorded non-cash compensation expenses of $72,440 associated with the Directors Purchase Plan.

**Employment Agreements**

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

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

**Board Practices**

Our board of directors consists of seven members divided into three classes, the terms of which expire at the general meeting of shareholders to be held in each year indicated above. Each director holds office until his or her term expires and his or her successor has been elected and qualified. At each general meeting of shareholders, directors nominated to a class with a term that expires in that year will be elected for a three-year term. Executive officers serve at the discretion of the board of directors. Officers are elected at the annual meeting of the directors held immediately after the annual general meeting of shareholders. Our executive officers have, on average, 18 years of service with us. Directors receive a cash fee of $10,000 per year, plus an additional $2,500 for each board meeting attended.

**Committees of the Board of Directors**

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

We have a separately designated standing compensation committee, consisting of the independent directors. The primary function of the compensation committee is to approve compensation packages for each of the Company’s executive officers. The compensation committee held 2 meetings in the fiscal year ended December 31, 2005.
We have an executive sessions committee, consisting of the independent directors. The executive sessions committee held 2 meetings in the fiscal year ended December 31, 2005.

**Code of Ethics**

We have adopted a Code of Ethics (“Code of Ethics”) that applies to our chief executive officer, chief financial officer, chief accounting officer or controller and persons performing similar functions. Any amendments or waivers to our Code of Ethics that apply to the chief executive officer or senior financial officers will be promptly disclosed on our website as required by law or by the Securities and Exchange Commission or by the Nasdaq National Market.

**Employees**

As of December 31, 2005, we had 521 employees worldwide, the majority of whom work in management, technical or administrative positions. We consider our employee relationships to be satisfactory. Our employees are not represented by labor unions and we are not aware of any attempts to organize our employees.

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

<table>
<thead>
<tr>
<th>Function</th>
<th>Employees</th>
<th>Independent Contractors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content Development</td>
<td>102</td>
<td>337</td>
<td>439</td>
</tr>
<tr>
<td>Corporate Human Resources &amp; Administration</td>
<td>33</td>
<td>43</td>
<td>76</td>
</tr>
<tr>
<td>Corporate Marketing</td>
<td>7</td>
<td>33</td>
<td>40</td>
</tr>
<tr>
<td>Community Development</td>
<td>109</td>
<td>26</td>
<td>135</td>
</tr>
<tr>
<td>Sales</td>
<td>40</td>
<td>1,211</td>
<td>1,251</td>
</tr>
<tr>
<td>Electronic Commerce Services</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Information System Department</td>
<td>126</td>
<td>18</td>
<td>144</td>
</tr>
<tr>
<td>Corporate Accounts</td>
<td>61</td>
<td>54</td>
<td>115</td>
</tr>
<tr>
<td>Office of the CEO, COO, CIO</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Legal and Group Secretarial</td>
<td>3</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Conference &amp; Trade Show Services</td>
<td>26</td>
<td>25</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>521</strong></td>
<td><strong>1,753</strong></td>
<td><strong>2,274</strong></td>
</tr>
</tbody>
</table>

**Share Ownership**

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

**Equity Compensation Plans**

We established The Global Sources Employee Equity Compensation Trust (the “Trust”) on December 30, 1999. The Trust is administered by Appleby Trust (Bermuda) Ltd (previously known as “Harrington Trust Limited”), as trustee. The purpose of the Trust is to administer monies and other assets contributed to the trustee for the establishment of equity compensation and other benefit plans, including the equity compensation plans described below. The number of shares that may be sold pursuant to these plans is limited to the number of our shares held by the Trust. Following our takeover of Trade Media on April 14, 2000, the Trade Media shares were exchanged for our common shares. These Trade Media shares currently represent our common shares. As of April 17, 2006, the Trust holds 2,395,060 of our common shares. The Trust has informed us that it does not intend to acquire any additional shares. In exercising its powers, including the voting of securities held in the Trust, the trustee may be directed by a plan committee, selected by the board of directors of one of our wholly owned subsidiaries.
In March 2000, we adopted the Global Sources Equity Compensation Plans (ECP) Numbers I, II and III. Employees, directors, consultants, advisors and independent contractors of ours, our subsidiaries or affiliates are eligible to receive option grants under ECP I. Employees, directors and consultants of ours, our subsidiaries or affiliates are eligible to receive grants under ECP II and III. Options granted under ECP I and II will be exercisable, and coupons granted under ECP III will be redeemable, for our shares held by the Trust.

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

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

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

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

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

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

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

The non-cash compensation expense associated with the awards under ECP II and ECP III of approximately $2,904,000 and $2,357,000, respectively, were recognized ratably over the three year vesting term from the respective award dates.
Global Sources Equity Compensation Plans Numbers IV and V

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

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

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

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

The Equity Compensation Plan committee approved the awards of common shares under ECP IV and ECP V on January 23, 2001. The Equity Compensation Plan Committee approved additional awards of common shares under ECP IV on various dates during the year 2001 and under ECP V on various dates during the years 2001 and 2002 and on January 2, 2004, on March 1, 2004, on January 2, 2005, on March 5, 2005 and on December 31, 2005.

The non-cash compensation expenses associated with the above awards under ECP IV and ECP V of approximately $3,024,000 and $2,311,000 respectively, are recognized over the five year vesting term from the respective award dates.

Global Sources Equity Compensation Plan VI

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

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

The Equity Compensation Plan committee approved the ECP VI on March 13, 2001 and made awards of common shares under the plan on various dates during the years 2001 and 2002, on July 28, 2004 and on April 1, 2005.

The non-cash compensation expenses associated with the awards in accordance with ECP VI totaling approximately $1,093,000 are recognized over the five year vesting term from the respective award dates.

Global Sources Equity Compensation Plan VII

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

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

The Equity Compensation Plan committee approved the awards of common shares under ECP VII in January 2002 and made further awards on March 31, 2003, on June 19, 2003, on January 2, 2004 (as revised on May 7, 2004), on January 3, 2005 and on February 13, 2006. The non-cash compensation expenses associated with the above awards under ECP VII of approximately $10,812,000 are recognised over the six year vesting term from the respective award dates.
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 was entitled to an option to purchase up to 20,000 common shares at a price established at year-end.

Each option was exercisable before the end of each February following the year-end at which the option price was established. The non-employee Directors have the right to decline all or part of the award, which is non-transferable.

For grants attributable to the year 2001, the option price was 15% less than the average closing price of the shares for the last 5 trading days of the previous calendar year. The award vested over 4 years, with one-quarter of the shares vesting each year. Full payment was required upon exercising the option. Upon resignation of an eligible Director, all unvested shares would be forfeited and the option price received for the forfeited unvested shares would be refunded. Only one Director accepted the offer on February 10, 2001 for the 26,620 shares granted under the option. The $164,200 received as proceeds of this plan was included in additional paid-in capital. On February 28, 2002, 2003, 2004 and 2005, the Company issued to the Director the 6,655, 6,655, 6,655 and 6,050 common shares, respectively, that vested on those dates.

At the Board of Directors’ meeting on November 1 to 2, 2001, the Board of Directors approved amendments to the terms of the plan for prospective grants, to require only 15% of the exercise price to be paid upon the exercise date, and to provide that the resignation of a Director would no longer result in a forfeiture of the subscribed shares. The plan entitled the Directors to a grant of options at a price established at the prior year-end. The ownership of the awards would transfer after 4 years. Optionees must pay 15% of the option price, which was the average closing price of the shares for the last 5 trading days of the year 2001, at the time of exercising the option. The balance of 85% must be paid on or before the end of the holding period. The resignation of a Director following his or her exercise of the grant of options and payment of the option price would not cause a forfeiture of the subscribed shares. All eligible non-employee Directors accepted the offer before February 28, 2002. The $49,896 received towards the 15% of the option price was included in the additional paid-in capital.

At the Board of Directors’ meeting on February 27, 2002, the Board of Directors approved amendments to the terms of the plan for prospective grants, to require only 10% of the exercise price to be paid upon the exercise date. The plan entitled the Directors to a grant of options at a price established at the prior year-end. The ownership of the awards would transfer after 4 years. Optionees must pay 10% of the option price, which was the average closing price of the shares for the last 5 trading days of the year 2002, at the time of exercising the option. The balance of 90% must be paid on or before the end of the holding period. The resignation of a Director following his or her exercise of the grant of options and payment of the option price would not cause a forfeiture of the subscribed shares. Three eligible directors accepted the offer before February 28, 2003. The $29,700 received towards the 10% of the option price was included in the additional paid-in capital.

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

Directors purchasing the shares under the plan must pay 10% of the purchase price, which is the average closing price of the shares for the last 5 trading days of the year 2003, on or before February 28, 2004. The balance of 90% must be paid by February 28, 2008 and the shares would be issued thereafter. The resignation of a Director following his or her purchase of the shares and payment of the 10% initial installment would not cause a forfeiture of the subscribed shares. Six Directors opted to purchase 26,620 shares each and one director opted to purchase part of the 26,620 shares. The amount of $92,069 received towards the 10% of the purchase price was included in the additional paid-in capital.

As per the terms of the Directors Purchase Plan, Directors purchasing the shares under the plan in the year 2005 must pay 10% of the purchase price, which was the average closing price of the shares for the last 5 trading days of the year 2004, on or before February 28, 2005. The balance of 90% must be paid by February 28, 2009 and the shares would be issued thereafter. The resignation of a Director following his or her purchase of the shares and payment of the 10% initial installment would not cause a forfeiture of the subscribed shares. Five directors opted to...
purchase 24,200 shares each. The amount of $118,156 received towards the 10% of the purchase price was included in the additional paid-in capital.

At the Board of Directors’ meeting on 4 and 5 November 2005, the Board of Directors adopted a definitive form of the Directors Purchase Plan, known as the “Directors Purchase Plan (as of 5 November 2005)”, which consolidated and clarified matters in earlier forms of the Directors Purchase Plan and previous shareholders’ and Board of Directors’ approvals and resolutions pertaining thereto.

As per the terms of the Directors Purchase Plan (as of 5 November 2005), Directors purchasing the shares under the plan in the year 2006, must pay 10% of the purchase price which was the average closing price of the shares for the last 5 trading days of the year 2005, on or before February 28, 2006. The balance of 90% must be paid by February 28, 2010 and the shares will be issued thereafter. Failing to pay the 90% balance of the purchase price before the end of the holding period will result in the 10% deposit being forfeited and any and all rights under the purchase right and to the issuance of shares will automatically lapse and expire, and the shares will not be issued. The resignation of a Director following his or her purchase of the shares and payment of the 10% initial installment will not cause a forfeiture of the unissued shares, provided that the balance of the purchase price is paid in full on or before the due date thereof. Four directors opted to purchase 22,000 shares each. The amount of $76,768 received towards the 10% of the purchase price will be included in the additional paid-in capital.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**Major Shareholders**

The following table sets forth information about those persons who hold more than 5% of our common shares and the share ownership of our directors and officers as a group. The information is based upon our knowledge of the share ownership of such persons on April 17, 2006.

Prior to November 27, 2003, the Quan Gung 1986 Trust (through Hung Lay Si Co. Ltd., its wholly owned subsidiary) beneficially owned approximately 61% of our common shares. Hung Lay Si Co. Ltd. is a company organized under the laws of the Cayman Islands. The Quan Gung 1986 Trust was formed under the laws of the Island of Jersey. Counsel to the trustee has informed us that, by virtue of the terms of the Trust and the laws of the Island of Jersey, the trustee cannot make disclosure of the names of the beneficiaries and settlor of the Trust in breach of the obligations placed on it and in accordance with its duties of confidentiality.

On November 27, 2003, Merle A. Hinrichs acquired 18,190,955 of our common shares, after adjustment to reflect the share split resulting from our three bonus share distributions of one share for every ten shares held as of March 1, 2004, as of March 4, 2005 and as of March 15, 2006, representing 47.3% of the outstanding common shares, from Hung Lay Si Co. Ltd. As a result, Mr. Hinrichs owns approximately 61.2% of our outstanding common shares as at April 17, 2006. As consideration for the purchase of the common shares, Mr. Hinrichs agreed to pay Hung Lay Si Co. Ltd. the purchase price of $109,337,056 payable on November 27, 2013. Mr. Hinrichs has granted to Hung Lay Si Co. Ltd. a security interest in all 18,190,955 common shares he purchased pending payment of the consideration. A copy of the purchase agreement and security agreement was filed by Mr. Hinrichs with the SEC on Schedule 13D on December 8, 2003, and jointly by the Trust and Hung Lay Si Co. Ltd. on Schedule 13D/A on the same day, and reference is made to those filings for the complete terms of the transaction. The agreements provide that in the event of cash dividends declared and paid by us, Mr. Hinrichs will pay to Hung Lay Si Co. Ltd. 50% of the dividends for any of the common shares purchased by Mr. Hinrichs that remain subject to Hung Lay Si Co. Ltd.’s security interest in the shares. If Mr. Hinrichs wishes to transfer or sell any shares subject to those agreements to someone other than Hung Lay Si Co. Ltd., Hung Lay Si Co. Ltd. has a right of first refusal to offer to purchase those shares. If Hung Lay Si Co. Ltd. waives its right to purchase the shares, upon consummation of a sale to the other person, at least 80% of the proceeds of the sale will be applied to the payment of the purchase price. Hung Lay Si Co. Ltd. may also be deemed, under Securities and Exchange Commission rules, to be a beneficial owner of the shares in which it has a right of first refusal and a security interest.
<table>
<thead>
<tr>
<th>Name of Beneficial Owner</th>
<th>Common Shares Beneficially Owned</th>
<th>Shares</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merle A. Hinrichs</td>
<td></td>
<td>23,525,896</td>
<td>61.2%</td>
</tr>
<tr>
<td>Hung Lay Si Co. Ltd.</td>
<td></td>
<td>3,152,151</td>
<td>8.2%</td>
</tr>
<tr>
<td>Appleby Trust (Bermuda) Ltd. (previously known as “Harrington Trust Limited”)</td>
<td></td>
<td>2,395,060</td>
<td>6.2%</td>
</tr>
<tr>
<td>Jeffrey J. Steiner (1)</td>
<td></td>
<td>449,355</td>
<td>1.2%</td>
</tr>
<tr>
<td>Eddie Heng Teng Hua</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>J. Craig Pepples</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Bill Georgiou</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Sarah Benecke</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>David F. Jones</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Roderick Chalmers</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>James Watkins</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>All officers and directors as a group (10 persons)</td>
<td></td>
<td>24,157,876</td>
<td>62.9%</td>
</tr>
</tbody>
</table>

* Indicates beneficial ownership of less than 1%.

(1) Mr. Jeffrey J. Steiner may be deemed to beneficially own the same common shares owned directly or beneficially by The Steiner Group LLC. Mr. Steiner disclaims beneficial ownership of shares owned by The Steiner Group LLC, the Jeffrey Steiner Family Trust and shares owned by him as custodian for his children. The Steiner Group LLC is a Delaware limited liability company.

At April 17, 2006, we believe that 7,757,295 of our shares or 20.19%, were beneficially owned by U.S. holders and there were 760 shareholders of record in the U.S. (excluding any U.S. holders who may be holding our shares through brokerage firms).

Mr. Merle A. Hinrichs, our Chairman and Chief Executive Officer, beneficially owns approximately 61.2% of our common shares and is deemed our controlling shareholder.

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

**Related Party Transactions**

During the year 2004, we have fully repaid the $11,404,000 in obligations due to Hung Lay Si Co. Ltd, our former controlling shareholder and the amount owed as at December 31, 2004 and 2005 were $NIL.

We have extended loans to some of our employees for the sole purpose of financing the purchase or lease of a residence. The loans for the purchase of a residence are secured by that residence, bear interest at a rate of LIBOR plus 2 to 3%, generally have a term of ten years and become due and payable immediately upon the termination of the employee’s employment. The loans for the lease of a residence are unsecured, interest free and are repayable in equal monthly installments over the period of the lease, which is typically less than or equal to 12 months. The maximum loan amounts are limited to the lower of the aggregate of two years’ gross compensation of the borrower or $500,000. The loans were made upon terms and subject to conditions that are more favorable to the borrowers than those that would customarily be applied by commercial lending institutions in the borrower’s country of employment. Since the beginning of 2000, the largest aggregate amount of indebtedness of Mr. Pepples to us, outstanding at any time during such period, was approximately $32,233. Mr. Pepples has repaid his loan in full in November 2002. Mr. Pepples’ loan was interest free and unsecured. Except for the aforementioned loan, there were no other loans due from our directors and executive officers as at December 31, 2003, 2004 and 2005. We do not expect to extend loans to our directors or executive officers to the extent such loans would be prohibited by the Sarbanes-Oxley Act of 2002.

We lease approximately 82,658 square feet of our office facilities from companies controlled by a wholly-owned subsidiary of Hung Lay Si Co. Ltd. under cancelable and non-cancelable operating leases and incur building main-
We incurred rental, building services expenses and reimbursement of membership fees for use of club memberships of $806,097 during the year ended December 31, 2005. We also received legal, treasury management consultancy services and receive investment consultancy services from wholly-owned subsidiaries of Hung Lay Si Co. Ltd. The expenses incurred for these services during the year ended December 31, 2005 was $119,000.

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

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

ITEM 8. FINANCIAL INFORMATION

Consolidated statements and other financial information

GLOBAL SOURCES LTD. AND SUBSIDIARIES

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December 31, 2005

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<td>CONSOLIDATED BALANCE SHEETS</td>
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<td>CONSOLIDATED STATEMENTS OF CASH FLOWS</td>
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<td>CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY</td>
</tr>
<tr>
<td>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</td>
</tr>
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</table>
REPORT OF INDEPENDENT REGISTERED 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, 2005 and 2004, and the related consolidated statements of income, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We are not engaged to perform an audit of the Company’s internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG

Singapore
March 21, 2006
GLOBAL SOURCES LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

<table>
<thead>
<tr>
<th></th>
<th>At December 31 2004</th>
<th>At December 31 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$41,195</td>
<td>$94,321</td>
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<tr>
<td>Available-for-sale securities</td>
<td>10,172</td>
<td>23,982</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>5,147</td>
<td>5,545</td>
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<tr>
<td>Receivables from sales representatives</td>
<td>3,407</td>
<td>5,659</td>
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<tr>
<td>Inventory of paper</td>
<td>750</td>
<td>866</td>
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<tr>
<td>Prepaid expenses and other current assets</td>
<td>2,926</td>
<td>10,585</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>63,597</strong></td>
<td><strong>140,958</strong></td>
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<tr>
<td>Property and equipment, net</td>
<td>24,902</td>
<td>28,178</td>
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<tr>
<td>Long term investments</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Bonds held to maturity, at amortized cost</td>
<td>666</td>
<td>463</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,260</td>
<td>1,981</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$92,525</strong></td>
<td><strong>$171,680</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>At December 31 2004</th>
<th>At December 31 2005</th>
</tr>
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<tbody>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
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<tr>
<td>Current Liabilities:</td>
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<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,798</td>
<td>$5,484</td>
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<tr>
<td>Deferred income and customers’ prepayments</td>
<td>28,775</td>
<td>52,624</td>
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<tr>
<td>Accrued liabilities</td>
<td>5,921</td>
<td>6,644</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>384</td>
<td>405</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>39,878</strong></td>
<td><strong>65,157</strong></td>
</tr>
<tr>
<td>Liabilities for incentive and bonus plans</td>
<td>467</td>
<td>307</td>
</tr>
<tr>
<td>Deferred income and customers’ prepayments – long term</td>
<td>1,420</td>
<td>348</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>327</td>
<td>436</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>42,092</strong></td>
<td><strong>66,248</strong></td>
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<tr>
<td>Minority interest</td>
<td>4,910</td>
<td>6,191</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares, US$0.01 par value; 50,000,000 shares authorized; 38,338,779 (2004: 35,032,729) shares issued and outstanding</td>
<td>350</td>
<td>383</td>
</tr>
<tr>
<td>Additional paid in capital</td>
<td>86,342</td>
<td>127,747</td>
</tr>
<tr>
<td>Retained deficit</td>
<td>(34,577)</td>
<td>(21,199)</td>
</tr>
<tr>
<td>Less: Unearned compensation</td>
<td>(6,831)</td>
<td>(7,900)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>239</td>
<td>210</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td><strong>45,523</strong></td>
<td><strong>99,241</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td><strong>$92,525</strong></td>
<td><strong>$171,680</strong></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services</td>
<td>$87,685</td>
<td>$92,325</td>
<td>$97,062</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>3,327</td>
<td>13,010</td>
<td>14,300</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>657</td>
<td>511</td>
<td>832</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91,669</td>
<td>105,846</td>
<td>112,194</td>
</tr>
</tbody>
</table>

| **Operating Expenses:**|          |          |          |
| Sales                  | 30,113   | 29,956   | 33,910   |
| Event production       | 930      | 3,774    | 3,920    |
| Community              | 13,155   | 17,890   | 20,623   |
| General and administrative | 27,858   | 30,329   | 33,641   |
| Online services development | 4,960    | 4,232    | 3,920    |
| Non-cash compensation expense (Note a) | 1,419    | 2,117    | 1,948    |
| Amortization of software costs | 4,453    | 1,480    | 1,335    |
| **Total**              | 82,888   | 89,778   | 99,297   |

| **Income from Operations** |          |          |          |
| Interest and dividend income | 122      | 219      | 1,624    |
| Gain (loss) on sale of available-for-sale securities | (40) | 1,120 | 977 |
| Foreign exchange gains (losses), net | - | 240 | (80) |
| **Total**              | 8,863    | 17,647   | 15,418   |

| **Income before Income Taxes** |          |          |          |
| Income Tax Provision | (668)    | (651)    | (759)    |
| **Net Income before Minority Interest** | $8,195   | $16,996  | $14,659  |
| Minority interest | (861)    | (1,227)  | (1,281)  |
| **Net Income** | $7,334   | $15,769  | $13,378  |

| **Basic net income per share** |          |          |          |
| Shares used in basic net income per share calculations (Note 2(u)) | $0.2094  | $0.4501  | $0.3558  |

| **Diluted net income per share** |          |          |          |
| Shares used in diluted net income per share calculations (Note 2(u)) | $0.2093  | $0.4492  | $0.3551  |

| **Shares used in diluted net income per share calculations (Note 2(u))** | 35,025,016 | 35,031,656 | 37,596,448 |


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)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 7,334</td>
<td>$ 15,769</td>
<td>$ 13,378</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>8,509</td>
<td>4,052</td>
<td>3,975</td>
</tr>
<tr>
<td>Profit on sale of equipment</td>
<td>(7)</td>
<td>(1)</td>
<td>(12)</td>
</tr>
<tr>
<td>Accretion of U.S. Treasury strips zero % coupon</td>
<td>(74)</td>
<td>(57)</td>
<td>(37)</td>
</tr>
<tr>
<td>Unrealized dividend income on available-for-sale securities</td>
<td>(72)</td>
<td>(7)</td>
<td>(134)</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>202</td>
<td>(716)</td>
<td>18</td>
</tr>
<tr>
<td>Non-cash compensation expense</td>
<td>1,419</td>
<td>2,117</td>
<td>1,948</td>
</tr>
<tr>
<td>Income attributable to minority shareholder</td>
<td>861</td>
<td>1,227</td>
<td>1,281</td>
</tr>
<tr>
<td>Equipment written off</td>
<td>12</td>
<td>26</td>
<td>86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$18,184</td>
<td>22,410</td>
<td>20,503</td>
</tr>
</tbody>
</table>

| **Changes in assets and liabilities:** |            |            |            |
| Accounts receivables           | (540)      | 76         | (416)      |
| Receivables from sales representatives | (951)      | 476        | (2,252)    |
| Inventory of paper             | (158)      | (47)       | (116)      |
| Prepaid expenses and other current assets | (664)      | (1,036)    | (7,525)    |
| Long term assets              | (155)      | (2,024)    | 1,279      |
| Accounts payable               | 148        | 366        | 686        |
| Accrued liabilities and liabilities for incentive and bonus plans | 99        | (97)       | 563        |
| Deferred income and customer prepayments | 9,195      | 2,741      | 22,777     |
| Tax liability                  | 131        | (391)      | 130        |
| **Net cash provided by operating activities** | $25,289    | 22,474     | 35,629     |

| **Cash flows from investing activities:** |            |            |            |
| Purchase of property and equipment | (2,307)    | (21,111)   | (7,338)    |
| Proceeds from sales of equipment   | 32         | 2          | 13         |
| Proceeds from matured bonds        | 440        | 383        | 240        |
| Purchase of available-for-sale securities | (19,300)   | (131,444)  | (363,544)  |
| Proceeds from sale of available-for-sale securities | 11,034     | 155,976    | 349,705    |
| **Net cash (used for) generated from investing activities** | (10,101)   | 3,806      | (20,924)   |

| **Cash flows from financing activities:** |            |            |            |
| Repayment of amount due to a shareholder | -          | (11,404)   | -          |
| Proceeds from issue of common shares, net of share issue expenses | -         | -          | 38,303     |
| Amount received towards directors purchase plan | 30        | 92         | 118        |
| **Net cash generated from (used for) financing activities** | 30         | (11,312)   | 38,421     |

| **Net increase in cash and cash equivalents** | 15,218     | 14,968     | 53,126     |
| Cash and cash equivalents, beginning of the year | 11,009     | 26,227     | 41,195     |
| **Cash and cash equivalents, end of the year** | **$ 26,227** | **$ 41,195** | **$ 94,321** |

| **Supplemental cash flow disclosures:** |            |            |            |
| Income tax paid               | $ 537      | $ 1,042    | $ 629      |

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Common shares</th>
<th>Number of shares</th>
<th>Amounts</th>
<th>Additional paid in capital</th>
<th>Retained deficit</th>
<th>Unearned compensation</th>
<th>Accumulated other comprehensive income</th>
<th>Total shareholders' equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2002</td>
<td>35,019,419</td>
<td>$ 350</td>
<td>$ 80,399</td>
<td>$ (57,680)</td>
<td>$ (4,547)</td>
<td>—</td>
<td>$ 18,522</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7,334</td>
<td>—</td>
<td>$ 7,334</td>
</tr>
<tr>
<td>Non-cash compensation expense</td>
<td>—</td>
<td>—</td>
<td>1,435</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 1,435</td>
</tr>
<tr>
<td>Unearned compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(16)</td>
<td>—</td>
<td>$ (16)</td>
</tr>
<tr>
<td>Amount received towards directors - purchase plan</td>
<td>—</td>
<td>—</td>
<td>30</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 30</td>
</tr>
<tr>
<td>Issuance of shares under directors - purchase plan</td>
<td>6,655</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification adjustment for losses, net of gains included in net income, net of income tax of SNIL</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>40</td>
<td>$ 40</td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale securities, net of income tax of SNIL</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>635</td>
<td>$ 635</td>
</tr>
<tr>
<td>Balance at December 31, 2003</td>
<td>35,026,074</td>
<td>$ 350</td>
<td>$ 81,864</td>
<td>$ (50,346)</td>
<td>$ (4,563)</td>
<td>$ 675</td>
<td>$ 27,980</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>15,769</td>
<td>—</td>
<td>$ 15,769</td>
</tr>
<tr>
<td>Non-cash compensation expense</td>
<td>—</td>
<td>—</td>
<td>4,386</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 4,386</td>
</tr>
<tr>
<td>Unearned compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,268)</td>
<td>—</td>
<td>$ (2,268)</td>
</tr>
<tr>
<td>Amount received towards directors - purchase plan</td>
<td>—</td>
<td>—</td>
<td>92</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 92</td>
</tr>
<tr>
<td>Issuance of shares under directors - purchase plan</td>
<td>6,655</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification adjustment for gains, net of losses included in net income, net of income tax of SNIL</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,212)</td>
<td>$ (1,212)</td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale securities, net of income tax of SNIL</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>776</td>
<td>$ 776</td>
</tr>
<tr>
<td>Balance at December 31, 2004</td>
<td>35,032,729</td>
<td>$ 350</td>
<td>$ 86,342</td>
<td>$ (34,577)</td>
<td>$ (6,831)</td>
<td>$ 239</td>
<td>$ 45,523</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13,378</td>
<td>—</td>
<td>$ 13,378</td>
</tr>
<tr>
<td>Non-cash compensation expense</td>
<td>—</td>
<td>—</td>
<td>3,017</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 3,017</td>
</tr>
<tr>
<td>Unearned compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,069)</td>
<td>—</td>
<td>$ (1,069)</td>
</tr>
<tr>
<td>Amount received towards directors - purchase plan</td>
<td>—</td>
<td>—</td>
<td>118</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 118</td>
</tr>
<tr>
<td>Issuance of shares under directors - purchase plan</td>
<td>6,050</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common shares, net of share issue expenses</td>
<td>3,300,000</td>
<td>33</td>
<td>38,270</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 38,303</td>
</tr>
<tr>
<td>Reclassification adjustment for gains, net of losses included in net income, net of income tax of SNIL</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(977)</td>
<td>$ (977)</td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale securities, net of income tax of SNIL</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>948</td>
<td>$ 948</td>
</tr>
</tbody>
</table>

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

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 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. 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, licenses Asian Sources / Global Sources Online and catalog services and re-sells products that are purchased on consignment basis.

2. Summary of Significant Accounting Policies

(a) Basis of Consolidation and Presentation

(i) The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and comprise the financial statements of the Company, and its subsidiaries. All significant inter-company 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 U.S. generally accepted accounting principles (“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

The Company invests its excess cash in readily marketable securities managed by high quality institutions and in government-backed securities such as debt and equity securities. These 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’ eq-

tity as accumulated other comprehensive income.

Generally the Company holds the securities with specific maturity dates until their maturity but the securi-

ties managed by high quality institutions are generally sold on a quarterly basis and proceeds reinvested in

similar securities.

The Company records the sales of securities upon their maturity or sale.

As the Company’s objective and intent is not to generate profit from short-term price fluctuations, the

Company classified its investments as available-for-sales securities, in accordance with SFAS 115, “Ac-

counting for Certain Investments in Debts and Equity Securities”.

Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale se-

curities are included in the statement of income. Other-than-temporary is determined through the assess-

ment of the Company’s ability and intent to hold the investment, extent and duration of the impairment, and

the forecasted recovery of fair value. 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 pur-

chase 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 depreciate their cost on a straight-line ba-

sis over their estimated useful lives as follows:

- Building ................................................................................................. 50 years
- Fixtures, fittings and office equipment ................................................. 5 years
- Leasehold improvements ................................................................. 5 years
- Motor vehicles .................................................................................. 5 years
- Computer equipment and software .................................................. 3 years
- Reusable trade show booths.............................................................. 2 years

Depreciation of assets acquired under capital leases is included in depreciation expense.

(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 in-

curred 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 esti-

mated useful life of three years upon the commissioning of service of the software. Training and

maintenance costs are expensed as incurred. To account for the development costs related to the

products to be sold, leased or otherwise marketed, the Company adopted SFAS No. 86, “Account-

ing for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.” Develop-
ment 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 $38, $241 and $66 during the years ended December 31, 2003, 2004 and 2005, 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

The Company adopted SFAS No. 142, “Goodwill and Other Intangible Assets”, effective on January 1, 2002, to account for intangible assets. The net intangible assets as of December 31, 2004 and 2005 was $NIL for both years.

(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. 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.

(i) Impairment of Long-lived Assets

The Company reviews the carrying value of its long-lived assets and will recognize an impairment loss whenever events or changes in circumstances indicate the carrying amount of the assets may not be fully recoverable. The recoverability of an asset is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment loss, measured based on the difference between the carrying amount of the asset and its fair value, is recognized. There was no impairment of the Company’s property and equipment as of December 31, 2005 and 2004.

(j) Revenue Recognition

The Company derives its revenues from advertising fees in its published trade magazines and websites, sales of trade magazines and reports, fees from licensing its trade and service marks, organizing exhibitions and business seminars, commission income from consignment sales.

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 multiple deliverables are contracted under a single arrangement, the Company allocates the total consideration to each unit of accounting on a pro-rata method based on its relative percentage of the total fair value of all units of accounting included in the arrangement. Revenue from sales of trade magazines and reports is recognized upon
GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)
delivery of the magazine / report. Magazine subscriptions received in advance are deferred and recognized
as revenue upon delivery of the magazine. Revenue from organizing exhibitions and business seminars is
recognized at the conclusion of the event and the related direct event production costs are deferred and rec-
ognized as expenses upon conclusion of the event.

The Company received license fees and currently receives royalties from licensing its trade and service
marks. Revenue from license fees was recognized ratably over the term of the license. Royalties from li-
cense arrangements are earned ratably over the period in which the advertisement is displayed by the licen-
see.

The Company derives commission income on the re-sale of its customers’ products on a consignment basis.
The commission income which is the sales proceeds, net of the cost of the purchased products payable to
the consigner is recognized upon conclusion of the sale to the buyer.

(k) Transactions with Sales Representatives

The Company utilizes 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 mar-
keting 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.

(l) Advertising Expenses

The event specific advertising and promotion costs incurred for events to be held in future financial years
are expensed by the year-end in which the expenses are incurred. Other advertising and promotion ex-
penses are expensed as incurred. The Company recorded advertising and promotion expenses of $145,
$2,679 and $3,612 during the years ended December 31, 2003, 2004 and 2005, respectively.

(m) Operating Leases

The Company leases certain office facilities under cancelable and non-cancelable operating leases, gener-
ally with an option to renew upon expiry of the lease term. 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 23, the Company re-
warded 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 Contributions

The Company operates a number of defined contribution retirement 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, 2005, 2004 and 2003. The minority interest liability of $6,191 and $4,910 at December 31, 2005 and 2004, respectively, reflects CMP’s proportionate interest in 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, 2004 and 2005.

(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 two reportable segments: online and other media services and exhibitions. The Company has determined these segments based on the business activities whose operating results are reviewed by the Company’s chief operating decision maker which is the Company’s board of directors to assess their performance and to make decisions about resources to be allocated to each segment.
Global Sources Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

(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.

Comprehensive income consists of the following:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain on available-for-sale securities, net of income tax of $NIL</td>
<td>$635</td>
<td>$776</td>
<td>$948</td>
</tr>
<tr>
<td>Reclassification adjustment for gains, net of losses included in net income, net of income tax of $NIL</td>
<td>$40</td>
<td>$(1,212)</td>
<td>$(977)</td>
</tr>
<tr>
<td>Net income</td>
<td>$7,334</td>
<td>$15,769</td>
<td>$13,378</td>
</tr>
<tr>
<td></td>
<td>$8,009</td>
<td>$15,333</td>
<td>$13,349</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$7,334</td>
<td>$15,769</td>
<td>$13,378</td>
</tr>
<tr>
<td>Basic net income per share</td>
<td>$0.2094</td>
<td>$0.4501</td>
<td>$0.3558</td>
</tr>
<tr>
<td>Diluted net income per share</td>
<td>$0.2093</td>
<td>$0.4492</td>
<td>$0.3551</td>
</tr>
<tr>
<td>Weighted average common shares outstanding, used in basic net income per share calculation</td>
<td>35,025,016</td>
<td>35,031,656</td>
<td>37,596,448</td>
</tr>
<tr>
<td>Effect of dilutive shares</td>
<td>16,346</td>
<td>74,571</td>
<td>82,576</td>
</tr>
<tr>
<td>Weighted average common shares outstanding, used in diluted net income per share calculation</td>
<td>35,041,362</td>
<td>35,106,227</td>
<td>37,679,024</td>
</tr>
<tr>
<td>Antidilutive share subscriptions</td>
<td>10,000</td>
<td>—</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Antidilutive share subscriptions had exercise prices greater than the average market price during the year.

(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.

The Company accounts for the shares purchased by the directors under Directors Purchase Plan using the intrinsic value method prescribed in APB No.25, “Accounting for Stock Issued to Employees” and related interpretations. Accordingly, compensation cost relating to the shares purchased by the directors is measured as the difference between the quoted market price of the stock at the grant date and the price paid by the directors (exercise price) on the measurement date. The exercise price and number of shares are both established on January 1 of each year, hence, fixed plan accounting is applied.

(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 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. In September, 2004, the FASB issued FSP EITF Issue “03-1-1”, “Effective Date of Paragraphs 10-20 of EITF 03-1, The Meaning of Other Than Temporary Impairment”, delaying the effective date for the recognition and measurement guidance of EITF 03-1, as contained in paragraphs 10-20, until certain implementation issues are addressed and a final FSP providing implementation guidance is issued. The disclosure requirements of the consensus remain in effect. In November, 2005 the FASB issued FSP FAS 115-1 and FAS 124-1. The FSP FAS 115-1 and FAS 124-1 nullifies certain requirements of EITF 03-1 and is applicable for reporting periods beginning after December 15, 2005. The Company does not expect the adoption of EITF 03-1 to have a material effect on its results of operations and financial condition.
In December 2004, the FASB issued SFAS No. 123R, “Share-Based Payment” (“SFAS 123R”), a revision of SFAS No. 123, “Accounting for Stock-Based Compensation.” SFAS 123R requires, among other things, measurement of all employee stock-based compensation awards using a fair value method and recording such expense in the consolidated financial statements. In April 2005, the Securities and Exchange Commission adopted a new rule that allows implementation of SFAS 123R at the beginning of next fiscal year beginning after June 15, 2005. As a result, the Company, with a fiscal year ended December 31 will not be required to adopt Statement 123R until January 1, 2006. The Company does not expect the adoption of SFAS 123R to have a material effect on its financial statements of position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections, a replacement of Accounting Principles Board (“APB”) Opinion No. 20 and FASB Statement No. 3.” (“SFAS 154”). SFAS 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle. It also requires that the changes in accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. The statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS 154 to have a material impact on its consolidated financial statements.

3. Available-for-sale Securities

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Cost</td>
<td>$ 9,933</td>
</tr>
<tr>
<td>Unrealized holding gain</td>
<td>239</td>
</tr>
<tr>
<td>Fair value</td>
<td>$ 10,172</td>
</tr>
</tbody>
</table>

The Company recorded dividend income derived from the available-for-sale securities of $NIL, $NIL, and $320 during the year ended December 31, 2003, 2004 and 2005 respectively. The Company recorded interest income derived from the available-for-sale securities of $NIL, $92 and $963 during the year ended December 31, 2003, 2004 and 2005 respectively.

4. Current Assets

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Gross trade receivables</td>
<td>$ 6,175</td>
</tr>
<tr>
<td>(1,028)</td>
<td>(652)</td>
</tr>
<tr>
<td>Less: Allowance for doubtful debts</td>
<td>$ 5,147</td>
</tr>
</tbody>
</table>
Movements in allowance for doubtful debts:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$ 1,966</td>
<td>$ 2,097</td>
<td>$ 1,028</td>
</tr>
<tr>
<td>Provision during the year</td>
<td>202</td>
<td>—</td>
<td>18</td>
</tr>
<tr>
<td>Allowance for doubtful debts written-back</td>
<td>—</td>
<td>(716)</td>
<td>—</td>
</tr>
<tr>
<td>Write-off during the year</td>
<td>(71)</td>
<td>(353)</td>
<td>(394)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$ 2,097</td>
<td>$ 1,028</td>
<td>$ 652</td>
</tr>
</tbody>
</table>

Prepaid expenses and other current assets:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured employee loans and other debtors</td>
<td>$ 60</td>
<td>$ 71</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>410</td>
<td>768</td>
</tr>
<tr>
<td>Deferred expenses – short term</td>
<td>895</td>
<td>7,688</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,561</td>
<td>2,058</td>
</tr>
<tr>
<td></td>
<td>$ 2,926</td>
<td>$ 10,585</td>
</tr>
</tbody>
</table>

5. Property and Equipment, net

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>—</td>
<td>$ 19,384</td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>19,213</td>
<td>855</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>6,951</td>
<td>7,949</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>191</td>
<td>198</td>
</tr>
<tr>
<td>Computer equipment, software, fixtures, fittings and office equipment</td>
<td>24,111</td>
<td>18,348</td>
</tr>
<tr>
<td>Reusable trade show booths</td>
<td>—</td>
<td>86</td>
</tr>
<tr>
<td>Software development costs</td>
<td>4,474</td>
<td>3,571</td>
</tr>
<tr>
<td>Property and equipment, at cost</td>
<td>54,940</td>
<td>50,391</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(30,038)</td>
<td>(22,213)</td>
</tr>
<tr>
<td></td>
<td>$ 24,902</td>
<td>$ 28,178</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended December 31, 2003, 2004 and 2005 was $4,056, $2,572 and $2,640 respectively and the amortization of software costs for the years ended December 31, 2003, 2004 and 2005 was $4,453, $1,480 and $1,335 respectively. The accumulated amortization of software costs as of December 31, 2004 and 2005 was $2,186 and $2,280 respectively.

During 2004, the Company entered into an agreement to purchase approximately 9,000 sq meters of office space in a commercial building in Shenzhen, China. The building is situated on a leasehold land. The lease period of the land is 50 years, commencing from year 2002. At the end of the lease period the building together with land will revert to the local government authority. The construction was completed and the property was put to use during the year 2005. Depreciation of the property commenced during the year 2005. This building which is under capital lease is depreciated on a straight line basis over the remaining lease term. The depreciation expenses on the said building amounted to US$311 during the year 2005.
6. Long-term Investments and Bonds Held to Maturity

(i) As at December 31, 2005, 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 when circumstances indicate impairment other than a temporary decline in the carrying values of such assets has occurred.

The net carrying value of the long term investment as at December 31, 2004 and 2005 was $100. The Company will continue to evaluate this investment for impairment.

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

<table>
<thead>
<tr>
<th>At December 31,</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$229</td>
<td>$189</td>
</tr>
<tr>
<td>Due after one year</td>
<td>$437</td>
<td>$274</td>
</tr>
<tr>
<td>Gross unrealized holding gains</td>
<td>$35</td>
<td>$10</td>
</tr>
</tbody>
</table>
GLOBAL SOURCES LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)  

7. Other Assets  

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Employee housing loans</td>
<td>$191</td>
<td>$152</td>
</tr>
<tr>
<td>Club memberships</td>
<td>418</td>
<td>418</td>
</tr>
<tr>
<td>Deferred expenses –</td>
<td>296</td>
<td>541</td>
</tr>
<tr>
<td>Rental, utility and</td>
<td>2,355</td>
<td>870</td>
</tr>
<tr>
<td>other deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Total</td>
<td>$3,260</td>
<td>$1,981</td>
</tr>
</tbody>
</table>

8. Current Liabilities  

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Deferred income and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>customers’ prepayments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>$20,612</td>
<td>$28,846</td>
</tr>
<tr>
<td>Exhibitions, subscription</td>
<td>8,163</td>
<td>23,778</td>
</tr>
<tr>
<td>and others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Total</td>
<td>$28,775</td>
<td>$52,624</td>
</tr>
</tbody>
</table>

9. Liabilities for Incentive and Bonus Plans  

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Salaries, wages and</td>
<td>$1,181</td>
<td>$1,326</td>
</tr>
<tr>
<td>commissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement contribution</td>
<td>696</td>
<td>645</td>
</tr>
<tr>
<td>plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of</td>
<td>1,075</td>
<td>1,169</td>
</tr>
<tr>
<td>liabilities for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>incentive and bonus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing, paper and</td>
<td>$2,969</td>
<td>3,074</td>
</tr>
<tr>
<td>bulk mailing cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>** Total</td>
<td>$5,921</td>
<td>$6,644</td>
</tr>
</tbody>
</table>

10. Deferred Income and Customers’ Prepayments – Long Term  

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
<td>2005</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>$1,420</td>
<td>$348</td>
</tr>
</tbody>
</table>
11. 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 $191 and $152 as of December 31, 2004 and 2005 respectively. Loans due from employees for lease of residences were $55 and $61 as of December 31, 2004 and 2005, respectively. There were no other loans due from the Company’s directors and executive officers as at December 31, 2004 and 2005. Other temporary advances to staff, which are generally repayable within twelve months, were $5 and $10 as of December 31, 2004 and 2005, respectively.

The Company leases certain office facilities from subsidiaries of Hung Lay Si Co. Ltd., the Company’s Former Parent Company (“Former Parent Company”) under cancelable and non-cancelable operating leases that include both rental and building maintenance services. During the years ended December 31, 2003, 2004 and 2005, the Company incurred rental and building management services expenses of $756, $NIL and $NIL respectively, with respect to these leases. These leases were no longer related party transactions during the years 2004 and 2005.

The Company also receives legal, treasury management consultancy services and investment consultancy services from subsidiaries of the Former Parent Company. During the year ended December 31, 2003, 2004 and 2005, the Company incurred such legal, secretarial and treasury management consultancy services expenses of $259, $NIL and $NIL respectively with respect to such services. These services were no longer related party transactions during the years 2004 and 2005.

The Company had $11,404, $NIL and $NIL due to the Former Parent Company as of December 31, 2003, 2004 and 2005, respectively. Due to the disposal of the Company’s shares held by the Former Parent Company to the Company’s chairman and chief executive officer, this liability as at December 31, 2003 was re-classified 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 was unsecured. This amount was fully re-paid during the year 2004.

12. 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, 2003, 2004 and 2005. 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, 2003, 2004 and 2005 were $116, $164 and $126 respectively.
13. Retirement Contribution Plans

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

The two principal defined contribution retirement 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, 2004 and 2005 were $664 and $591, respectively.

The Company incurred costs of $1,102, $1,099 and $1,166 with respect to the retirement plans in the years ended December 31, 2003, 2004 and 2005, respectively.

14. 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 (collectively referred to as “Cayman Islands”). Certain of the Company’s subsidiaries operate in Hong Kong SAR 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:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>$ 5,420</td>
</tr>
<tr>
<td>Foreign</td>
<td>3,443</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 8,863</strong></td>
</tr>
</tbody>
</table>

The provision for income taxes consists of:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Current tax expense:</td>
<td></td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>$ —</td>
</tr>
<tr>
<td>Foreign</td>
<td>974</td>
</tr>
<tr>
<td>Deferred tax expense:</td>
<td></td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>(306)</td>
</tr>
<tr>
<td>Foreign</td>
<td></td>
</tr>
<tr>
<td><strong>Total provision</strong></td>
<td><strong>$ 668</strong></td>
</tr>
</tbody>
</table>

The provision for income taxes for the years ended December 31, 2003, 2004 and 2005 differed from the amount computed by applying the statutory income tax rate of 0% as follows:
GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes at statutory rate</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Foreign income and revenues taxed at higher rates</td>
<td>668</td>
<td>651</td>
<td>759</td>
</tr>
<tr>
<td>Total</td>
<td>$ 668</td>
<td>$ 651</td>
<td>$ 759</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>7.54%</td>
<td>3.69%</td>
<td>4.92%</td>
</tr>
</tbody>
</table>

Deferred tax assets consist of the following:

<table>
<thead>
<tr>
<th>At December 31,</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss carry forwards</td>
<td>$ 7,410</td>
<td>$ 7,371</td>
</tr>
<tr>
<td>Less: valuation allowance</td>
<td>(7,410)</td>
<td>(7,371)</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>$ —</td>
<td>$ —</td>
</tr>
</tbody>
</table>

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, 2003, 2004 and 2005 was an increase/(decrease) of approximately $2, $(52) and $(39), respectively, resulting primarily from net operating losses incurred and profits made by some of the subsidiaries during the respective years.

As of December 31, 2005 and 2004, a United States subsidiary had net operating loss carry forwards of approximately $17,099 and $17,188 respectively. 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 $327 and $436 as at December 31, 2004 and 2005, 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.

15. Share Capital

On February 28, 2004 and 2005, the Company issued 6,655 and 6,050 common shares, respectively, under the Directors Purchase Plan. On March 29, 2005, the Company issued 3,300,000 common shares of par value $0.01 at US$12.27 per share. The total proceeds received from this issue was $38,303 net of the offering expenses of $2,197. Out of the total proceeds $33 was included in the common share capital and the balance $38,270 was included in additional paid in capital. The authorized share capital of the Company as at December 31, 2004 and 2005 is 50,000,000 common shares of $0.01 par value. As at December 31, 2004 and at December 31, 2005, the Company has 35,032,729 and 38,338,779 common shares issued and outstanding, respectively.

16. 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 carrying amount and market value of long term investments are discussed in Note 6.
17. 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, 2003, 2004 and 2005. No customer accounted for more than 10% of the accounts receivable as of December 31, 2004 and 2005.

In 2005, 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.

18. Operating Leases

The Company leases office facilities under cancelable and non-cancelable operating leases. During the years ended December 31, 2003, 2004 and 2005, the Company’s operating lease rental and building management services expenses were $1,484, $1,275 and $1,409 respectively. The estimated future minimum lease rental payments under non-cancelable operating leases as of December 31, 2005 are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$ 350</td>
</tr>
<tr>
<td>2007 onwards</td>
<td>$ 350</td>
</tr>
<tr>
<td>Total</td>
<td>$ 350</td>
</tr>
</tbody>
</table>

19. Segment and Geographic Information

The Company has two reportable segments: online and other media services and exhibitions. Revenues by geographic location are based on the location of the customer.

(a) Segment Information

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services (Note (a))..</td>
<td>$ 87,685</td>
<td>$ 92,325</td>
<td>$ 97,062</td>
</tr>
<tr>
<td>Exhibitions...............</td>
<td>3,327</td>
<td>13,010</td>
<td>14,300</td>
</tr>
<tr>
<td>Miscellaneous............</td>
<td>657</td>
<td>511</td>
<td>832</td>
</tr>
<tr>
<td>Consolidated.............</td>
<td>$ 91,669</td>
<td>$ 105,846</td>
<td>$ 112,194</td>
</tr>
</tbody>
</table>

Miscellaneous revenue consists mainly of technical services fee income, and for year 2005 also includes rental income and commission income from consignment sales.
GLOBAL SOURCES LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income/(Loss) from Operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services $9,390</td>
<td>$17,700</td>
<td>$13,460</td>
<td></td>
</tr>
<tr>
<td>Exhibitions (1,215)</td>
<td>(2,133)</td>
<td>(1,258)</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous 606</td>
<td>501</td>
<td>695</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td><strong>$8,781</strong></td>
<td><strong>$16,068</strong></td>
<td><strong>$12,897</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At December 31,</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifiable Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online and other media services $79,894</td>
<td>$141,076</td>
<td></td>
</tr>
<tr>
<td>Exhibitions 12,103</td>
<td>29,316</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous 528</td>
<td>1,288</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td><strong>$92,525</strong></td>
<td><strong>$171,680</strong></td>
</tr>
</tbody>
</table>

Note: (a) Online and other media services consists of:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online services $51,367</td>
<td>$52,106</td>
<td>$53,829</td>
<td></td>
</tr>
<tr>
<td>Print services 36,318</td>
<td>40,219</td>
<td>43,233</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td><strong>$87,685</strong></td>
<td><strong>$92,325</strong></td>
<td><strong>$97,062</strong></td>
</tr>
</tbody>
</table>

(b) Foreign Operations

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia $84,856</td>
<td>$97,876</td>
<td>$104,746</td>
<td></td>
</tr>
<tr>
<td>United States 5,970</td>
<td>6,573</td>
<td>6,175</td>
<td></td>
</tr>
<tr>
<td>Europe 437</td>
<td>597</td>
<td>679</td>
<td></td>
</tr>
<tr>
<td>Others 406</td>
<td>800</td>
<td>594</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td><strong>$91,669</strong></td>
<td><strong>$105,846</strong></td>
<td><strong>$112,194</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At December 31,</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Lived Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia $28,257</td>
<td>$30,208</td>
<td></td>
</tr>
<tr>
<td>United States 5</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td><strong>$28,262</strong></td>
<td><strong>$30,259</strong></td>
</tr>
</tbody>
</table>
20. 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.

21. Capital Commitments

The commitments as at December 31, 2005 for leasehold improvements and for the development of software amounted to $313. The capital commitments as at December 31, 2004 were $31 for the purchase and commissioning of software.

22. Restricted Share Award Plan

On February 4, 2000, the Company established a restricted share award plan for the benefit of its chairman and chief executive officer in recognition of services to the Company. In conjunction with the restricted share award plan, the Former Parent Company assigned 5,334,944 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 666,870 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 4,668,074 shares is subject to employment, non-compete and vesting terms under an employment agreement with one of the Company’s United States subsidiaries. The 4,668,074 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 a total of $64,000 in 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.

23. Equity Compensation Plans

On December 30, 1999, the Company established The Global Sources Employee Equity Compensation Trust (the “Trust”) for the purpose of administering monies and other assets to be contributed by the Company to the Trust for the establishment of equity compensation and other benefit plans. The Trust is administered by Appleby Trust (Bermuda) Ltd (previously known as “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 3,334,340 common shares of the Company at a historical cost of less than $1, 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 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 $3,024 and $2,311, 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, 2002, on July 28, 2004 and on April 1, 2005.

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 $1,093, 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 a 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, on June 19, 2003, on January 2, 2004 and on January 3, 2005. 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 $8,376 are recognized over the six years vesting term from the respective award dates.

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

The Company expensed $1,419, $2,117 and $1,875 in non-cash compensation costs associated with the awards under the above ECP plans in the years ended December 31, 2003, 2004 and 2005, respectively.
24. **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 was entitled to an option to purchase up to 20,000 common shares at a price established at year end.

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.
The option was exercisable before the end of each February following the year end at which the option price was established. The non-employee Directors have the right to decline all or part of the award, which is non-transferable.

For grants attributable to the 2001 year, 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 vested over four years with one quarter of the shares vesting each year. Full payment was required upon exercising the option. Upon resignation of an eligible Director, all unvested shares would be forfeited and the option price received for the forfeited unvested shares would be refunded. Only one Director accepted the offer on February 10, 2001 for the 26,620 shares granted under the option. The $164 received as proceeds of this plan was included in additional paid-in capital. On February 28, 2002, 2003, 2004 and 2005 the Company issued to the Director the 6,655, 6,655, 6,655 and 6,050 common shares, respectively, that vested on those dates.

On November 1, 2001, the terms of the plan for prospective grants were amended to require only 15% of the exercise price to be paid upon exercise date and that the resignation of a director would no longer result in a forfeiture of the subscribed shares. The plan entitles the directors to a grant of options of a price established at the prior year end. The ownership of the awards will transfer 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 end of the holding period. 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 subscribed 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.

On February 27, 2002, the terms of the plan for prospective grants were amended to require only 10% of the exercise price to be paid upon exercise date. The plan entitles the directors to a grant of options at a price established at the prior year end. The ownership of the awards will transfer 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 the year 2002, at the time of exercising the option. The balance of 90% must be paid on or before the end of the holding period. 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 subscribed 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 prospectively 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 26,620 shares each and one director opted to purchase part of the 26,620 shares. The amount of $92 received towards the 10% of the purchase price was included in the additional paid in capital.

As per the terms of the Directors Purchase Plan, Directors purchasing the shares under the plan in year 2005, pay 10% of the purchase price which is the average closing price of the shares for the last five trading days of the year 2004, on or before February 28, 2005. The balance of 90% is paid by February 28, 2009 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 subscribed shares. Five
directors opted to purchase 24,200 shares each. The amount of $118 received towards the 10% of the purchase price was included in the additional paid in capital.

As per the terms of the Directors Purchase Plan, Directors purchasing the shares under the plan in year 2006, will pay 10% of the purchase price which is the average closing price of the shares for the last five trading days of the year 2005, on or before February 28, 2006. The balance of 90% will be paid by February 28, 2010 and the shares will be issued thereafter. Failing to pay the 90% balance of the purchase price before the end of the holding period results in the 10% deposit being forfeited and any and all rights under the purchase right and to the issuance of shares will automatically lapse and expire and the shares will not be issued. 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 unissued shares, provided that the balance of the purchase price is paid in full on or before the due date thereof. Four directors opted to purchase 22,000 shares each. The amount of $77 received towards the 10% of the purchase price will be included in the additional paid in capital.

25. Credit Facilities

The Company 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, 2005, the unutilized amount under this facility was approximately $348. Hongkong and Shanghai Banking Corporation Limited has also provided guarantees on behalf of the Company to the Company’s suppliers. As at December 31, 2005, such guarantees amounted to $3.

26. Other Commitments

The Company has entered into a number of licence agreements during the year 2004 for its exhibition events amounting to $29,730 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. As of December 31, 2005 the amount paid under these agreements was $4,981. The amount paid will be expensed when the related events are held.

The Company also entered into several agreements for the event specific promotion of exhibition events amounting to $3,978 in payments over four years. The amount paid under these agreements as of December 31, 2005 was $1,454.

In August 2005, one of the Company’s subsidiaries, eMedia Asia Limited (“eMedia”) entered into an agreement with Penton Media Inc, (“Penton”) to publish and distribute, in certain Asian territories, local language editions of Penton’s “Electronic Design” publication, relating to the electronic design industry. The first such edition to be launched is a simplified Chinese edition in mainland China entitled “Electronic Design-China”, the online website of which was launched in January 2006, and the first monthly issue of which is scheduled to be launched in March 2006. Under the agreement eMedia pays Penton forty per cent of the net after-tax profits of the business and also an annual content license fee for usage of Penton’s editorial material. There was no revenue generated from this publication during the year 2005.

27. Bonus Shares

On March 1, 2005, the Company announced a one for ten bonus share issue on the Company’s outstanding common shares. Shareholders of record on March 4, 2005 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, 2005. In addition, the Company has reclassified $29 and $29 from additional paid in capital to common share capital as of December 31, 2004 and 2005, respectively for the bonus share issue.
28. Reclassification

Certain prior-year amounts have been reclassified to conform to the current-year presentation, such as the following:

(i) Effective from the year 2005, the Company is presenting the promotion costs incurred for promoting its technical conferences, exhibition and seminars to buyer community and the printing and mailing costs for its marketing inserts business under community costs in the income statement. Accordingly such promotion costs and printing and mailing costs for prior years have been reclassified to community costs from general and administration costs to conform to the current-year presentation.

(ii) Certain prior-year items in the consolidated statements of cash flows have been reclassified to conform to the current year presentation.

29. Post Balance Sheet Event

On March 6, 2006, the Company announced a one for ten bonus share issue on the Company’s outstanding common shares. Shareholders of record on March 15, 2006 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 April 17, 2006. All common shares and per-share amounts in the consolidated financial statements and related notes have been retroactively adjusted to reflect the one for ten bonus share issue for all periods presented. In addition, the Company has reclassified $32 and $35 from additional paid in capital to common share capital as of December 31, 2004 and 2005, respectively.

30. Event subsequent to the date of the Report of Independent Auditors (unaudited)

HC International, Inc. (“HC International”) is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On May 24, 2006, Trade Media Holdings Limited (“TMH”), a wholly-owned subsidiary of the Company, IDG Technology Venture Investment, Inc. (“IDGVC”) and International Data Group, Inc. (“IDG”) entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which IDGVC has conditionally agreed to transfer 47,858,000 shares or 10% of the issued share capital of HC International, being part of its shareholding interests in HC International, to TMH at a consideration of approximately $9,873 or approximately $0.2063 per share, of HC International (the “HC Share(s)”), which is subject to adjustment to approximately $13,860 or approximately $0.2896 per HC Share (the “HC Share Transfer”), if and when HC International achieves a certain benchmark with reference to the HC International group’s performance during the Option Period (as defined below) or upon completion of the sale and purchase of the Option HC Shares (as defined below). IDG, being the sole shareholder of IDGVC, has agreed to guarantee the due and punctual discharge by IDGVC of its obligations under the Sale and Purchase Agreement. Completion of the HC Share Transfer is subject to the fulfilment of the conditions as set out in the Sale and Purchase Agreement, which include obtaining all relevant consents, governmental and regulatory approvals (if any) and a confirmation from the Hong Kong Securities and Futures Commission (the “SFC”) that no mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”) will be triggered as a result of the transactions contemplated under the Sale and Purchase Agreement. Completion is expected to take place by the end of June 2006. Upon completion of the HC Share Transfer, the Company will own, together with 5,916,000 HC Shares (which represent approximately 1.24% of the issued share capital of HC International as at May 24, 2006) currently owned by the Company, an approximate 11.24% equity interest in HC International. It is the intention of HC International to invite Merle Hinrichs, the Chairman and Chief Executive officer of the Company who is also a director of TMH, to join HC International’s board as a non-executive director upon completion of the HC Share Transfer.
TMH also entered into a call options deed (the “HC Options Deed”) with IDGVC, Guo Fanzheng (“Guo”) and others which include certain members of the senior management of HC International (the “Option Grantors”), pursuant to which each of the aforesaid Option Grantors has agreed, subject to completion of the Sale and Purchase Agreement, to grant to TMH, (i) a right (the “HC Options”) exercisable during the 12-month period from the date of the completion of the Sale and Purchase Agreement (the “Option Period”) to purchase all, but not in part only, of the 167,722,814 HC Shares owned by the respective parties (representing approximately 35.05% of the entire issued share capital of HC International) and any HC Shares that may be issued by HC International to certain directors of HC International if the options granted in accordance with the share option schemes of HC International (amounting to an aggregate of 4,185,320 Option HC Shares) are exercised, which together amount to a maximum of approximately 35.61% of the entire issued share capital of HC International (the “Option HC Shares”) at an exercise price of approximately $0.2896 per Option HC Share; and (ii) an undertaking to accept any offer for the Option HC Shares at a price not less than approximately $0.2896 per Option HC Share, during the Option Period.

Huicong Construction Co., Ltd. (“Huicong Construction”), in which Guo has an 80% equity interest, entered into a call option deed (the “Beijing Huicong Option Deed” and together with the HC Options Deed, the “Option Deeds”) with TMH, pursuant to which Huicong Construction has agreed, subject to completion of the Sale and Purchase Agreement, to grant to TMH a right (the “Beijing Huicong Option” and together with the HC Options, the “Options”) exercisable during the Option Period, to purchase (or to nominate a subsidiary of TMH to purchase) from Huicong Construction its entire 18% equity interest (“Beijing Huicong Equity Interest”) in Beijing Huicong International Information Co., Ltd. (“Beijing Huicong”), a 82% indirect subsidiary of HC International, at an aggregate exercise price of approximately $31,916.

The HC Options and the Beijing Huicong Option are inter-conditional. The sale and purchase of the Beijing Huicong Equity Interest is subject to confirmation from the SFC. If the SFC’s confirmation is not forthcoming, the sale and purchase of the Beijing Huicong Equity Interest will not be completed but TMH may proceed with the completion of the sale and purchase of the Option HC Shares.

Pursuant to the terms of the Beijing Huicong Option Deed and subject to the completion of the sale and purchase of the Beijing Huicong Equity Interest, Huicong Construction will also be required to transfer or assign its licenses and related contracts in relation to the provision of internet information and content services in the People’s Republic of China to a TMH-nominated company, but pending such transfer or assignment, Huicong Construction has agreed to continue to provide services in relation to the internet content provider license to Beijing Huicong in the same manner and on the same terms as currently agreed.

The exercise and completion of the HC Options by TMH, if materialized, will result in a change in control of HC International (as the aggregate shareholding of TMH and the Company in HC International will increase from approximately 11.24% to a maximum of approximately 46.75%) and will trigger an obligation on the part of TMH to make a general offer in compliance with the SFC regulations to acquire all the issued HC Shares (other than those already owned by TMH or parties acting in concert with it).
ITEM 9. THE OFFER AND LISTING

Price history of stock

The following table sets forth the high and low per share closing prices for our common shares for the periods indicated, as adjusted for the one for ten bonus share issues announced on February 16, 2004 and on March 1, 2005.

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<th>Low</th>
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<tr>
<td>April 2006</td>
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</table>

Markets

Our shares are listed and traded under the symbol “GSOL” on the Nasdaq National Market.

ITEM 10. ADDITIONAL INFORMATION

Memorandum and Articles of Association

Description of shareholder rights attaching to our common shares

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

Our authorized share capital consists of 50,000,000 common shares, par value $0.01 per share. A bonus share distribution of one share for every ten shares was issued to all of our shareholders of record on March 15, 2006 and distributed on or about April 17, 2006. As of April 17, 2006, we had 38,428,310 common shares issued and outstanding.

- Holders of common shares have no preemptive, redemption, conversion or sinking fund rights.
• Holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares and do not have any cumulative voting rights.

• In the event of our liquidation, dissolution or winding-up, the holders of common shares are entitled to share ratably in our assets, if any, remaining after the payment of all our debts and liabilities.

• Our outstanding common shares are fully paid and non-assessable. Non-assessable as that term is understood under Bermuda Law means in relation to fully-paid shares of a company and subject to any contrary provision in any agreement in writing between such company and the holder of shares, that no shareholder shall be obliged to contribute further amounts to the capital of the company, either in order to complete payment for their shares, to satisfy claims of creditors of the company, or otherwise; and no shareholder shall be bound by an alteration of the memorandum of association or bye-laws of the company after the date on which he became a shareholder, if and so far as the alteration requires him to take, or subscribe for additional shares, or in any way increases his liability to contribute to the share capital of, or otherwise to pay money to, the company.

• Additional authorized but unissued common shares may be issued by the board of directors without the approval of the shareholders.

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

• we are, or after the payment would be, unable to pay our liabilities as they become due; or

• the realizable value of our assets after such payment or distribution would be less than the aggregate amount of our liabilities and our issued share capital and share premium accounts.

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

**Share Capital**

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

**Voting Rights**

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

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

• the chairman of the meeting;

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

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

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

Dividend Rights

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

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

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

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

Purchase by a Company of its Own Common Shares

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

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

Preemptive Rights

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

Variation of Rights

We may issue more than one class of shares and more than one series of shares in each class. If we have more than one class of shares, the rights attached to any class of shares may be altered or abrogated either:
• with the consent in writing of the holders of not less than seventy-five percent of the issued common shares of that class; or

• with the sanction of a resolution passed at a separate general meeting of the holders of such common shares, voting in proxy or present, at which a quorum is present.

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

Transfer of Common Shares

Subject to the “Transfer Restrictions” section below, a shareholder may transfer title to all or any of his shares by completing an instrument of transfer in the usual common form or in such other form as the board of directors may approve.

Transfer Restrictions

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

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

• is duly stamped, if required by law, and lodged with us;

• is accompanied by the relevant share certificate and such other evidence of the transferor’s right to make the transfer as the board of directors shall reasonably require;

• has obtained, where applicable, permission of the Bermuda Monetary Authority; and

• is in respect of one class of shares.

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

Transmission of Shares

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

Disclosure of Interests

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

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

Rights in Liquidation

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

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

Meetings of Shareholders

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

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

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

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

Access to Books and Records and Dissemination of Information

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

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

Our bye-laws provide that our register of shareholders is required to be open for inspection during normal business hours by shareholders without charge and to members of the general public on the payment of a fee. A company is
required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. We have established a branch register with our transfer agent, Mellon Investor Services, LLC, at 85 Challenger Road, Ridgefield Park, NJ 07660, USA.

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

**Election or Removal of Directors**

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

The board has the power at any time and from time to time to appoint any individual to be a director so as to fill a casual vacancy. The board may approve the appointment of alternate directors.

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

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

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

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

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

Under Bermuda law, the holders of:

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

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

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

Transactions with Interested Shareholders

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

Appraisal Rights and Shareholder Suits

Amalgamation

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

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

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

Class Actions and Derivative Actions

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Under Bermuda law, a shareholder may commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company, or is illegal or would re-
sult in the violation of the company’s memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company’s shareholders than those who actually approved it.

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

Capitalization of Profits and Reserves

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

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

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

Registrar or Transfer Agent

Our transfer agent and registrar is Computershare Investor Services, LLC. In addition to a register held by Computershare Investor Services, LLC, a register of holders of the shares is maintained by Appleby Spurling Hunter in Bermuda located at Canon’s Court, 22 Victoria Street, Hamilton HM 12 Bermuda.

Untraced Shareholders

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

Personal Liability of Directors and Indemnity

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

Every director, officer, resident representative and committee member shall be indemnified out of our funds against all liabilities, loss, damage or expense, including liabilities under contract, tort and statute or any applicable foreign
law or regulation and all reasonable legal and other costs and expenses properly payable, incurred or suffered by him as director, officer, resident representative or committee member; provided that the indemnity contained in the byelaws will not extend to any matter which would render it void under the Companies Act as discussed above.

Material Contracts

We believe that there are only the following material contracts outstanding.

During the first quarter of 2004, we entered into a number of license agreements for our exhibition events amounting to approximately $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 December 31, 2005, the amount paid under these agreements was approximately $5.0 million.

In August 2005, one of the Company’s subsidiaries, eMedia Asia Limited (“eMedia”), entered into an agreement with Penton Media Inc. (“Penton”) to produce, publish and distribute, in certain Asian territories, local language editions of Penton’s “Electronic Design” publication, relating to the electronic design industry. The first such edition launched pursuant to the agreement is a simplified Chinese edition in mainland China entitled Electronic Design – China, the online website of which was launched in January 2006, and the first print monthly issue of which was launched in March 2006. Under the agreement, eMedia pays Penton forty per cent of the net after-tax profits of the business. eMedia also entered into an agreement with Penton, under which eMedia is allowed to use and reproduce editorial content from Penton’s electronics publications, including Electronic Design, EE Product News and Microwaves & RF, in consideration for which an annual content license fee is payable by eMedia to Penton.

HC International, Inc. (“HC International”) is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. On May 24, 2006, Trade Media Holdings Limited (“TMH”), a wholly-owned subsidiary of the Company, IDG Technology Venture Investment, Inc. (“IDGVC”) and International Data Group, Inc. (“IDG”) entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which IDGVC has conditionally agreed to transfer 10% of the issued share capital of HC International, being part of its shareholding interests in HC International, to TMH at a consideration of approximately US$0.2063 per share, of HC International (the “HC Share(s)”), which is subject to adjustment to approximately US$0.2896 per HC Share (the “HC Share Transfer”), if and when HC International achieves a certain benchmark with reference to the HC International group’s performance during the Option Period (as defined below) or upon completion of the sale and purchase of the Option HC Shares (as defined below). IDG, being the sole shareholder of IDGVC, has agreed to guarantee the due and punctual discharge by IDGVC of its obligations under the Sale and Purchase Agreement. Completion of the HC Share Transfer is subject to the fulfilment of the conditions as set out in the Sale and Purchase Agreement, which include obtaining all relevant consents, governmental and regulatory approvals (if any) and a confirmation from the Hong Kong Securities and Futures Commission (the “SFC”) that no mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”) will be triggered as a result of the transactions contemplated under the Sale and Purchase Agreement. Completion is expected to take place by the end of June 2006. Upon completion of the HC Share Transfer, TMH will own, together with 5,916,000 HC Shares (which represent approximately 1.24% of the issued share capital of HC International as at May 24, 2006) currently owned by the Company, an approximate 11.24% equity interest in HC International. It is the intention of HC International to invite Merle Hinrichs, also a director of TMH, to join HC International’s board as a non-executive director upon completion of the HC Share Transfer.

TMH also entered into a call options deed (the “HC Options Deed”) with IDGVC, Guo Fansheng (“Guo”) and others which include certain members of the senior management of HC International (the “Option Grantors”), pursuant to which each of the aforesaid Option Grantors has agreed, subject to completion of the Sale and Purchase Agreement, to grant to TMH, (i) a right (the “HC Options”) exercisable during the 12-month period from the date of the completion of the Sale and Purchase Agreement (the “Option Period”) to purchase all, but not in part only, of the 167,722,814 HC Shares owned by the respective parties (representing approximately 35.05% of the entire issued share capital of HC International) and any HC Shares that may be issued by HC International to certain directors of HC International if the options granted in accordance with the share option schemes of HC International (amounting to an aggregate of 4,185,320 Option HC Shares) are exercised, which together amount to a maximum of approximately 35.61% of the entire issued share capital of HC International (the “Option HC Share(s)”) at an exercise price...
of approximately US$0.2896 per Option HC Share; and (ii) an undertaking to accept any offer for the Option HC Shares at a price not less than approximately US$0.2896 per Option HC Share, during the Option Period.

Huicong Construction Co., Ltd. (“Huicong Construction”), in which Guo has an 80% equity interest, entered into a call option deed (the “Beijing Huicong Option Deed” and together with the HC Options Deed, the “Option Deeds”) with TMH, pursuant to which Huicong Construction has agreed, subject to completion of the Sale and Purchase Agreement, to grant to TMH a right (the “Beijing Huicong Option” and together with the HC Options, the “Options”) exercisable during the Option Period, to purchase (or to nominate a subsidiary of TMH to purchase) from Huicong Construction its entire 18% equity interest (“Beijing Huicong Equity Interest”) in Beijing Huicong International Information Co., Ltd. (“Beijing Huicong”), a 82% indirect subsidiary of HC International, at an aggregate exercise price of approximately US$31,916,015.90.

The HC Options and the Beijing Huicong Option are inter-conditional. The sale and purchase of the Beijing Huicong Equity Interest is subject to confirmation from the SFC. If the SFC’s confirmation is not forthcoming, the sale and purchase of the Beijing Huicong Equity Interest will not be completed but TMH may proceed with the completion of the sale and purchase of the Option HC Shares.

Pursuant to the terms of the Beijing Huicong Option Deed and subject to the completion of the sale and purchase of the Beijing Huicong Equity Interest, Huicong Construction will also be required to transfer or assign its licenses and related contracts in relation to the provision of internet information and content services in the People’s Republic of China to a TMH-nominated company, but pending such transfer or assignment, Huicong Construction has agreed to continue to provide services in relation to the internet content provider license to Beijing Huicong in the same manner and on the same terms as currently agreed.

The exercise and completion of the HC Options by TMH, if materialized, will result in a change in control of HC International (as the aggregate shareholding of TMH and the Company in HC International will increase from approximately 11.24% to a maximum of approximately 46.75%) and will trigger an obligation on the part of TMH to make a general offer in compliance with Rule 26 of the Code to acquire all the issued HC Shares (other than those already owned by TMH or parties acting in concert with it).

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

Exchange Controls

Bermuda Law

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

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

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

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

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

Notwithstanding the recording of any such special capacity, we are not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

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

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

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

- the taking of mortgages on land in Bermuda to secure an amount in excess of $50,000 without the consent of the Minister of Finance of Bermuda;

- the acquisition of bonds or debentures secured on land in Bermuda, unless they are issued by the Bermuda Government or a public authority; or

- the carrying on of business of any kind in Bermuda, except in furtherance of our business carried on outside Bermuda or under a license granted by the Minister of Finance of Bermuda.

Taxation

Bermuda Taxation

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

Currently there is no Bermuda withholding tax on dividends that may be payable by us in respect to the holders of our common shares. No income, withholding or other taxes or stamp duty or other duties are imposed upon the issue, transfer or sale of the shares or on any payment thereunder. There is no income tax treaty between Bermuda and the United States.
We are required to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, applicable to a foreign private issuer. We will file annually a Form 20-F no later than six months after the close of our fiscal year, which is December 31. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP. We intend, although we are not obligated to do so, to furnish our shareholders with quarterly reports by mail with the assistance of a corporate services provider, which will include unaudited interim financial information prepared in conformity with U.S. GAAP for each of the three quarters of each fiscal year following the end of each such quarter. We may discontinue providing quarterly reports at any time without prior notice to our shareholders.

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

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

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We operate internationally and foreign exchange rate fluctuations may have a material impact on our results of operations. Historically, currency fluctuations have been minimal on a year-to-year basis in the currencies of the countries where we have operations. As a result, foreign exchange gains or losses in revenues and accounts receivable have been offset by corresponding foreign exchange losses or gains arising from expenses. However, during the Asian economic crisis of 1997 to 1998, both advertising sales and the value of Asian currencies declined, which caused a significant decline in 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% and 65%) 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 and the Chinese currency, which is informally pegged to the U.S. dollar. To the extent significant currency fluctuations occur in the New Taiwan dollar, and Chinese Renminbi or other Asian currencies relative to the U.S. dollar, or if the Hong Kong dollar is no longer pegged to the U.S. dollar, our profits would be affected.

As of December 31, 2005, we have not engaged in foreign currency hedging activities.

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

PART II

All financial information contained in this document is expressed in United States dollars, unless otherwise stated.
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES
- (Not applicable)

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

ITEM 15. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the U.S. Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that our disclosure controls and procedures, as of December 31, 2005, were effective.

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

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee financial expert is Roderick Chalmers, an independent director.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics that applies to our chief executive officer, chief financial officer, chief accounting officer or controller and other persons performing similar functions. Our Code of Ethics is available on our website at www.corporate.globalsources.com.

During 2005, the Company did not grant any waiver, including any implicit waiver, from any provision of the Code of Ethics to the chief executive officer, chief financial officer, chief accounting officer or controller or other person performing similar functions.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate audit fees, audit-related fees, tax fees of our principal accountants and all other fees billed for products and services provided by our principal accountants for each of the fiscal years 2004 and 2005:

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>$378,919</td>
<td>$226,716</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>___</td>
<td>___</td>
</tr>
<tr>
<td>Total</td>
<td>$378,919</td>
<td>$226,716</td>
</tr>
<tr>
<td>Tax fees</td>
<td>1,800</td>
<td>1,500</td>
</tr>
<tr>
<td>All other fees</td>
<td>118,956</td>
<td>158,595</td>
</tr>
<tr>
<td>Total fees</td>
<td>$499,675</td>
<td>$386,811</td>
</tr>
</tbody>
</table>
Audit fees include fees associated with the review of the Company’s annual financial statements and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

Tax fees for year 2004 for tax compliance, tax advice and tax planning consisted of preparation of tax returns and filing fees for a subsidiary. For year 2005, such fees consisted of preparation of tax returns and review of tax provision for a subsidiary.

All other fees for year 2004 consisted mainly of cyber process certification for the Company’s management’s assertions on the computation of the number of Community membership, outsourced information technology security management services, due diligence for a proposed investment and review of tax status. For year 2005, such fees consisted mainly of cyber process certification for the Company’s management’s assertions on the computation of the number of community membership, provision of information technology security assessment services and review of tax status.

Audit Committee’s pre-approval policies and procedures

Our Audit Committee nominates and engages our independent auditors to audit our financial statements. Our Audit Committee also requires management to obtain the Audit Committee’s approval on a case-by-case basis before engaging our independent auditors to provide any audit or permitted non-audit services to us or our subsidiaries.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES - (Not applicable)

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS - (Not applicable)

PART III

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

ITEM 17. FINANCIAL STATEMENTS – (Not applicable)

ITEM 18. FINANCIAL STATEMENTS

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

ITEM 19. EXHIBITS

EXHIBIT INDEX

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Memorandum of Association of the Company. *</td>
</tr>
<tr>
<td>1.2</td>
<td>Bye-laws of the Company. *</td>
</tr>
<tr>
<td>1.3</td>
<td>Amendments to the Bye-Laws of Global Sources Ltd., as approved at the May 6, 2002 Annual General Meeting of Shareholders. ++</td>
</tr>
<tr>
<td>2.1</td>
<td>Specimen Certificate. *</td>
</tr>
<tr>
<td>4.2</td>
<td>Form of executive officer employment agreement. *</td>
</tr>
<tr>
<td>4.3</td>
<td>Employment Agreement dated November 1, 1999, by and between Trade Media Holdings Limited and Merle Hinrichs. *</td>
</tr>
<tr>
<td>4.4</td>
<td>Amendment to Employment Agreement dated January 19, 2000, between Trade Media Holdings Limited and Merle Hinrichs. *</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>4.5</td>
<td>Employment Agreement dated as of January 29, 2000, by and between LER Corporation and Merle Hinrichs. *</td>
</tr>
<tr>
<td>4.6</td>
<td>Form of Restricted Stock Award and Agreement, dated as of January 29, 2000, by and between LER Corporation and Merle Hinrichs. *</td>
</tr>
<tr>
<td>4.7</td>
<td>Amendment No.1 to Restricted Stock Award and Agreement dated as of February 29, 2000, by and between LER Corporation and Merle Hinrichs. *</td>
</tr>
<tr>
<td>4.8</td>
<td>Form of The Global Sources Employee Equity Compensation Plan No. I. *</td>
</tr>
<tr>
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<td>Form of The Global Sources Employee Equity Compensation Plan No. II. *</td>
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<td>Form of The Global Sources Employee Equity Compensation Plan No. V. **</td>
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<tr>
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<td>Form of The Global Sources Employee Equity Compensation Plan No. VI. ***</td>
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<tr>
<td>4.21</td>
<td>Form of The Global Sources Employee Equity Compensation Plan No. VII. *****</td>
</tr>
<tr>
<td>4.22</td>
<td>Global Sources’ Code of Ethics (approved and adopted by the Board of Directors on March 7, 2003). ###</td>
</tr>
<tr>
<td>4.23</td>
<td>Form of The Global Sources Employee Equity Compensation Plan No. V (Amended). *****</td>
</tr>
<tr>
<td>4.24</td>
<td>Placement Agency Agreement dated March 17, 2005, between the Company and W.R. Hambrecht &amp; Co. LLC. ######</td>
</tr>
<tr>
<td>4.25</td>
<td>Form of Purchase Agreement between the Company and certain purchasers of the common shares. ######</td>
</tr>
<tr>
<td>4.26</td>
<td>Shenzhen International Chamber of Commerce Tower Subscription Agreement dated July 5, 2004 (English translation).++++</td>
</tr>
<tr>
<td>4.27</td>
<td>Real Estate Sales Contract of Shenzhen (Presale) dated August 31, 2004 (English translation).++++</td>
</tr>
<tr>
<td>4.28</td>
<td>Supplemental Agreement to the Contract on Purchasing Shenzhen International Commercial Chamber Center Premises dated August 31, 2004 (English translation).++++</td>
</tr>
<tr>
<td>4.29</td>
<td>Summary Table of Property Units and Payment Amounts.++++</td>
</tr>
<tr>
<td>4.30</td>
<td>Supplementary Agreement Concerning Alteration of Payment Method dated December 3, 2004 (English translation).++++</td>
</tr>
<tr>
<td>4.31</td>
<td>Sale and Purchase Agreement, dated May 24, 2006, by and between IDG Technology Venture Investment, Inc., Trade Media Holdings Limited and International Data Group, Inc. ~</td>
</tr>
<tr>
<td>4.33</td>
<td>Call Option Deed Relating to Equity Interest in Beijing Huicong International Information Co., Ltd., dated May 24, 2006, between Trade Media Holdings Limited and HC Construction Co., Ltd. ~</td>
</tr>
<tr>
<td>8.1</td>
<td>Subsidiaries of Global Sources Ltd.</td>
</tr>
<tr>
<td>12.1</td>
<td>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>12.2</td>
<td>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>13.1</td>
<td>Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes—Oxley Act of 2002.</td>
</tr>
<tr>
<td>13.2</td>
<td>Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.</td>
</tr>
<tr>
<td>14.1</td>
<td>Consent of Independent Accountants for incorporation of their report filed with Form 6-K into the Company’s previously filed Registration Statements File No. 333-59058 and 333-62132. ****</td>
</tr>
<tr>
<td>14.2</td>
<td>Changes in Registrant’s Certifying Accountant. +++</td>
</tr>
<tr>
<td>14.3</td>
<td>Letter to the SEC from the Company pursuant to SEC Release No. 33-8070, dated April 9, 2002. ****</td>
</tr>
<tr>
<td>14.4</td>
<td>Consent of Independent Accountants for incorporation of their report filed under Form 20-F into the Company’s previously filed Registration Statements File No. 333-104426, 333-59058 and 333-114411.</td>
</tr>
<tr>
<td>14.5</td>
<td>Press release dated February 16, 2004 to announce the bonus share issue by Global Sources Ltd. ##</td>
</tr>
<tr>
<td>14.6</td>
<td>Press release dated March 1, 2005 to announce the bonus share issue by Global Sources Ltd. ######</td>
</tr>
<tr>
<td>14.7</td>
<td>Press release dated March 6, 2006 to announce the bonus share issue by Global Sources Ltd. #######</td>
</tr>
</tbody>
</table>


** Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on April 5, 2001.
*** Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on June 1, 2001.

**** Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on April 25, 2002.

~ Confidential treatment requested (the confidential portions of such exhibits have been omitted and filed separately with the Securities and Exchange Commission)

***** Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on April 10, 2003.

+ Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on April 30, 2002.

++ Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on May 6, 2002.

+++ Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on August 13, 2002.

++++ Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on May 13, 2005.

# Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on May 05, 2003.

## Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on February 18, 2004.


#### Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 21, 2005.

##### Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 8, 2005.

###### Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 7, 2006
The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GLOBAL SOURCES LTD.
By: /s/ EDDIE HENG
    Eddie Heng, Director and Chief Financial Officer

Date: June 12, 2006
24th May 2006

IDG TECHNOLOGY VENTURE INVESTMENT, INC.

and

TRADE MEDIA HOLDINGS LIMITED

and

INTERNATIONAL DATA GROUP, INC.

AGREEMENT

for the sale and purchase of 10% of the shares in

HC INTERNATIONAL, INC.

Herbert Smith LLP
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THIS AGREEMENT is made on 24th May 2006

BETWEEN:

1. IDG TECHNOLOGY VENTURE INVESTMENT, INC., a company incorporated under the General Laws of the Commonwealth of Massachusetts and having its correspondence address at Room 616, Tower A, COFCO Plaza, 8 Jianguomenwei Dajie, Beijing, 100005 PRC ("IDG or the Vendor");

2. TRADE MEDIA HOLDINGS LIMITED, a company incorporated in the Cayman Islands and having its registered address at P.O. Box 219 GT, Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands (the "Purchaser"); and

3. INTERNATIONAL DATA GROUP, INC., a company incorporated under the General Laws of the Commonwealth of Massachusetts and having its correspondence address at Room 616, Tower A, COFCO Plaza, 8 Jianguomenwei Dajie, Beijing, 100005 PRC (the “Guarantor”).

RECITALS:

(A) HC International, Inc. (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3rd March, 2000 and its shares are listed on the Growth Enterprise Market of the Stock Exchange. Further details of the Company are set out in Part I of Schedule 1.

(B) The Vendor holds a total of 73,331,954 Shares of the Company (representing approximately 15.32% of the total issued share capital of the Company), as at the date of this Agreement, out of which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on the terms and conditions set out in this Agreement.

(C) The Guarantor is the sole limited partner of IDG. The Guarantor has agreed to guarantee the obligations of the Vendor.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 In this Agreement, and in the Schedules, the following definitions are used:

   “Associate” means (i) any entity in which any member of the Group owns or is entitled to control more than 20% of the shares, stock, voting rights and/or other participating interest (carrying the right to vote or to the distribution of profits) in or of that entity; and (ii) China Search Inc.;

   “Accounts” has the meaning given to that term in Schedule 2;

   “Acquisition Price” means, subject to adjustment in accordance with clause 5, HK$1.6095 per Sale Share totalling HK$77,027,451 for the 47,858,000 Sale Shares as at the date of this Agreement;

   “Business Day” means a day (not being a Saturday) on which banks are open for general banking business in Hong Kong;

   “CCASS” means the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited;

   “Companies Ordinance” means the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;

   “Completion” means completion of the sale and purchase of the Sale Shares in accordance with clause 6;
“Disclosure Letter” means the letter from the Vendor to the Purchaser dated the date of this Agreement and delivered immediately prior to the execution of this Agreement;

[* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]

“Executive” means the Executive Director of the Corporate Finance Division of the SFC;

“Group” means the Company and the Subsidiaries;

“HC Construction” means HC Construction Co., Ltd., a company incorporated in the PRC;

“HC Construction Option” means the option to be granted by HC Construction to the Purchaser under the HC Construction Option Deed in relation to HC Construction’s equity interests (“Beijing Huicong Option Shares”) in Beijing Huicong International Information Co., Ltd. (“Beijing Huicong”), under which inter alia (a) HC Construction undertakes not to sell, transfer, charge or otherwise dispose of any of HC Construction’s equity interests in Beijing Huicong to third parties within the Option Period (as defined in the HC Construction Option Deed) and (b) the Purchaser shall have the right (but not the obligation) to purchase the Beijing Huicong Option Shares at any time within the Option Period;

“HC Construction Option Deed” means the option deed to be entered into by HC Construction and the Purchaser on the same date as this Agreement in relation to the HC Construction Option;

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC;

“Listing Rules” means The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;

“Options” means the options to be granted by the Vendor and the Option Grantors to the Purchaser under the Option Deed in relation to the Shares held by the Vendor and the Option Grantors (“Option Shares”) under which (a) the Vendor and the Option Grantors shall undertake not to sell, transfer, charge, or otherwise dispose of, any of the Vendor’s and Option Grantors’ interests in the Option Shares at any time within one year from the date of Completion (the “Option Period”); and (b) the Purchaser shall have the right (but not the obligation) either (i) to purchase from the Vendor and the Option Grantors the Option Shares or (ii) to require the Vendor and the Option Grantors to accept in respect of such Option Shares a general offer made by or on behalf of the Purchaser for the Shares at any time during the Option Period;

“Option Deed” means the option deed to be entered into by the Vendor, the Option Grantors and the Purchaser on the same date as this Agreement in relation to the Options;

“Option Grantors” means IDG Technology Venture Investment, Inc., [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.], Guo Fansheng, [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.];

“PRC” means the People’s Republic of China;

“Purchaser’s Solicitors” means Herbert Smith of 23rd Floor, Gloucester Tower, 11 Pedder Street, Central, Hong Kong;

“Purchaser Shareholding” means the proportion that the number of Shares held by the Purchaser bears to the aggregate number of outstanding issued Shares, which was equivalent to 10% of the entire issued capital of the Company as at the date of Completion;
“RMB” means the lawful currency of the PRC;

“Sale Shares” means the 47,858,000 Shares (or if such number of Shares does not represent 10% of the Shares in issue as at the date of Completion, then such other number of Shares as represents 10% of the Shares in issue as at the date of Completion) to be sold by the Vendor to the Purchaser;

“SFC” means the Securities and Futures Commission of Hong Kong;

“Shares” means ordinary shares of HK$0.10 each in the share capital of the Company;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Subsidiaries” means all the subsidiaries and jointly controlled entities of the Company as at the date of this Agreement including without limitation to those companies named in Part II of Schedule 1;

“Takeovers Code” means The Codes or Takeovers and Mergers and Share Repurchases;

“Tax” and “Taxation” have the meanings given to those terms in Schedule 2;

“Vendor’s Solicitors” means Johnson Stokes & Master of 16th – 19th Floors, Prince’s Building, 10 Chater Road, Central, Hong Kong;

“Warranties” means the warranties set out in Schedule 2; and

“HK$” means Hong Kong dollars.

1.2 In this Agreement, words and expressions defined in the Companies Ordinance shall bear the same meaning as in that Ordinance unless expressly stated otherwise.

1.3 In this Agreement, save where the context otherwise requires:

1.3.1 a reference to a statute or statutory provision shall include a reference to that statute or provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision; to any repealed statute or statutory provision which it re-enacts (with or without modification); and any subordinate legislation made under the relevant statute;

1.3.2 words in the singular shall include the plural, and vice versa;

1.3.3 the masculine gender shall include the feminine and neutral and vice versa;

1.3.4 a reference to a person shall include a reference to a firm, a body corporate, an unincorporated association or to a person’s executors or administrators;

1.3.5 a reference to a clause, paragraph or Schedule (other than to a schedule to a statutory provision) shall be a reference to a clause, paragraph or Schedule (as the case may be) of or to this Agreement;

1.3.6 if a period of time is specified and commences from a given day or the day of an act or event, it shall be calculated exclusive of that day;

1.3.7 references to any legal term for any action, remedy, method or judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than Hong Kong be deemed to include what most nearly approximates in that jurisdiction to the Hong Kong legal term;
1.3.8 references to writing shall include any modes of reproducing words in a legible and non-transitory form;

1.3.9 a reference to a balance sheet or profit and loss account shall include a reference to any note forming part of it;

1.3.10 where any of the Warranties is qualified by the expression “to the best of the knowledge of the Vendor” or any similar expression, that expression shall be taken to mean “to the best knowledge of the Vendor acting reasonably and in good faith, after making due, diligent and careful enquiries” and that the Vendor has used its best endeavours to ensure that all information given in the Warranty is true, complete and accurate in all material respects;

1.3.11 a reference to “includes” or “including” shall mean “includes without limitation” or “including without limitation”;

1.3.12 references to documents “in the agreed terms” shall be to documents agreed between the parties, annexed to this Agreement and initialled for identification by the Vendor’s Solicitors and the Purchaser’s Solicitors;

1.3.13 the headings in this Agreement are for convenience only and shall not affect the interpretation of any provision of this Agreement; and

1.3.14 references to this Agreement include this Agreement as amended or supplemented in accordance with its terms.

1.4 The designations adopted in the recitals and introductory statements preceding this clause apply throughout this Agreement and the Schedules.

1.5 Where any obligation in this Agreement is expressed to be made, undertaken or given by two or more parties, they shall be jointly and severally liable in respect of it.

2. CONDITIONS

2.1 The provisions of this Agreement, other than clauses 1, 2, 7, 10, 12 and 13, are subject to each of the following conditions being satisfied:

2.1.1 the obtaining in a form satisfactory to the Purchaser of any consent to the sale and purchase of the Sale Shares under this Agreement, if required;

2.1.2 the full and effective release of all charges, mortgages, pledges, liens, encumbrances and other security of whatever nature over or in respect of all of the Sale Shares, if any; and

2.1.3 the receipt of all PRC regulatory approvals in respect of companies operating in advertising, internet and broadcasting industries as may be required to complete this Agreement;

2.1.4 the Vendor, the Option Grantors and the Purchaser entering into the Option Deed;

2.1.5 HC Construction and the Purchaser entering into the HC Construction Option Deed;

2.1.6 all relevant governmental and regulatory approvals (if any) relating to the execution of this Agreement, the Option Deed and the HC Construction Option Deed, having been obtained, and for the avoidance of doubt does not relate to completion of the Option Deed and the HC Construction Deed;
the Executive having confirmed that (i) no mandatory offer obligation under Rule 26 of the Takeovers Code will be triggered as a result of the transactions contemplated under this Agreement and the execution of the Option Deed and the HC Construction Option Deed and (ii) the Purchaser is not acting in concert with any of the Vendor, Option Grantors or HC Construction within the meaning of the Takeovers Code; and

save as specifically disclosed or otherwise provided in this Agreement (including but not limited to the matters referred to in clause 8.1 hereof) there has been no event, change or occurrence which, individually or together with any other event, change or occurrence has, or would, or could reasonably be expected to have, a material adverse effect on or cause a material adverse change to the financial or trading position or prospects of the Company,

and if those conditions have not been fulfilled (or in the case of the conditions in clauses 2.1.1, 2.1.2, 2.1.4, 2.1.5 and 2.1.8 waived by the Purchaser) by 21 June, 2006, the provisions of this Agreement (other than clauses 1, 7, 10, 12 and 13) shall from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties in respect of antecedent breaches).

The Vendor shall procure that the conditions in clause 2.1 (relating to itself including clauses 2.1.1 to 2.1.3 and clause 2.1.6) are satisfied (unless validly waived) as soon as practicable but in any event prior to 21 June 2006. No party is entitled to withdraw from this Agreement before 21 June 2006 unless any of the conditions in clause 2.1 becomes incapable of fulfilment.

Each party shall immediately notify the other parties as soon as it becomes aware that a condition in clause 2.1 has been satisfied or that any such condition is incapable of fulfilment.

3. **SALE AND PURCHASE**

3.1 The Vendor, as beneficial owner, shall sell or procure to be sold and the Purchaser shall purchase the Sale Shares.

3.2 The Sale Shares shall be sold at Completion free from any claim, option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights and together with all rights attached to them at the date of this Agreement or subsequently becoming attached to them (including but not limited to the rights to receive all dividends and other distributions, if any, declared made or paid on or after the date of this Agreement, but excluding any voting rights which shall only accrue to the Purchaser after Completion).

3.3 The Vendor waives and agrees to procure the waiver of any restrictions on transfer (including pre-emption rights) which may exist in relation to the Sale Shares under the constitutional documents of the Company or any contract or otherwise.

3.4 The Vendor shall use its best endeavours to procure that prior to Completion the businesses of the Group shall be operated in the ordinary course of business in compliance with all laws and regulations and in substantially the same manner as such businesses have been carried on before the date of this Agreement, so as to maintain each such business as a going concern. Pending Completion, the Vendor shall use its best endeavours to procure that each member of the Group:

3.4.1 shall not do or omit to do (or allow to be done or to be omitted to be done) any act or thing (in either case whether or not in the ordinary course of day-to-day operations) which may breach any of the Warranties; and

3.4.2 shall take all reasonable steps to preserve and protect its business and assets and the Vendor shall notify the Purchaser in writing promptly of any material adverse change in such business or assets or of any breach or potential breach of the undertakings in this clause 3.4.
4. **ACQUISITION PRICE**

4.1 Subject to the adjustment in accordance with clause 5, the total consideration for the sale of the Sale Shares shall be the payment at Completion to the Vendor of the Acquisition Price.

5. **ADJUSTMENT TO ACQUISITION PRICE**

5.1 Subject to Clause 5.2 below, the Acquisition Price shall be adjusted such that an additional sum of HK$31,093,343 representing HK$0.6497 per Sale Share ("Adjusted Acquisition Price") shall be payable to the Vendor if either:

5.1.1 [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]; or

5.1.2 upon completion of the sale and purchase of the Option Shares (whether under clause 2.1.1 or under clause 2.1.2 of the Option Deed).

5.2 In the event that the Adjusted Acquisition Price is payable, the Adjusted Acquisition Price shall be paid by electronic funds transfer to the bank account of the Vendor (as notified by the Vendor prior to such payment) within 5 Business Days from the earlier of:

5.2.1 the date on which the audited consolidated accounts for the financial year ending 31 December 2006 is published; or

5.2.2 the completion of the sale and purchase of the Option Shares (whether under clause 2.1.1 or under clause 2.1.2 of the Option Deed).

6. **COMPLETION**

6.1 Subject to Clause 2.1, Completion shall take place at the offices of the Vendor’s Solicitors on the fifth (5th) Business Day following the satisfaction (or waiver, as appropriate) of all conditions set out in clause 2.1 (or at such other place or time as the parties shall agree).

6.2 At Completion, the Vendor shall deliver or cause to be delivered to the Purchaser or the Purchaser’s Solicitors:

6.2.1 duly executed instruments of transfer and sold notes in favour of the Purchaser or its nominee in respect of the Sale Shares together with definitive share certificates for them in the names of the relevant transferors;

6.2.2 any power of attorney under which any document required to be delivered pursuant to this clause 6.2 is executed on behalf of a transferor or other person and, in the case of a body corporate, evidence to the satisfaction of the Purchaser as to the authority of the person executing such documents on behalf of the body corporate;  

6.2.3 in the case of a transferor who is not registered as the holder of any of the Sale Shares sold by him, evidence to the Purchaser’s satisfaction of his title or right to sell those Sale Shares;

6.2.4 any waivers, consents or other documents required to vest in the Purchaser the full beneficial ownership of the Sale Shares and enable the Purchaser to procure them to be registered in the name of the Purchaser or its nominee;
6.2.5 evidence (or failing which, written confirmation from the Vendor) to the satisfaction of the Purchaser of the fulfilment of the conditions (unless validly waived by the Purchaser) specified in clauses 2.1.1 to 2.1.6;

6.2.6 a cheque drawn in favour of “the Government of the Hong Kong Special Administrative Region” for HK$77,027.45 representing the estimated stamp duty, SFC transaction levy and Stock Exchange trading fee payable by the Vendor on the instruments of transfer and the sold notes in respect of the Sale Shares. The Vendor hereby undertake to immediately pay to the Purchaser any additional stamp duty which may be assessable on the Sale Shares (excluding any penalty duty assessable due to a failure to present the relevant documents for stamping within the relevant time period by the Purchaser);

6.2.7 certified copy of the resignation letters of the director of the Company who is referred to in clause 6.2.8(D), such registration to take effect as at Completion; and

6.2.8 certified copy resolutions of the directors of the Company approving the following matters:

(A) the transfer of the Sale Shares for registration and the entry of the transferee in the register of members of the Company, in each case subject only to the transfer being subsequently presented duly stamped (if required);

(B) the appointment of Mr. Merle A. Hinrichs (i) as a non-executive director of the Company and (ii) as a member of the audit committee and remuneration committee of the Company with effect from the date of Completion;

(C) the appointment of Mr. Li Jianguang as a non-executive director of the Company with effect from the date of Completion; and

(D) the resignations of two (2) existing directors of the Company, Mr. Hugo Shong and Mr. Yang Fei, who are to be replaced by the persons referred to in sub-clauses (B) and (C) above, with effect from the date of Completion.

6.3 At Completion,

6.3.1 the Vendor shall procure that its designated CCASS Participant gives an irrevocable delivery instruction to effect a book-entry settlement of the Sale Shares in accordance with this Agreement and the General Rules and the Operational Procedures to the credit of the stock accounts of the CCASS Participant of the Purchaser in accordance with the instructions and details provided to the Vendor by the Purchaser prior to Completion;

6.3.2 the Purchaser shall deliver a copy of the confirmation obtained from the SFC for the purpose of Clause 2.1.7; and

6.3.3 the Purchaser shall pay by electronic funds transfer for same day value to the bank accounts of the Vendor (as notified by the Vendor prior to Completion) the Acquisition Price. Receipt of the same by the Vendor shall be a valid discharge of the Purchaser’s obligations under clause 4.1.

6.4 No party shall be obliged to complete this Agreement unless the other party complies fully with all its obligations under clauses 6.2 and 6.3.

6.5 If the Vendor shall be unable to comply with any of its obligations under clauses 6.2 and 6.3 on or before the date fixed for Completion the Purchaser may:

6.5.1 defer Completion with respect to the Sale Shares to a date selected by the Purchaser not more than 28 days after that date (in which case this clause shall apply to Completion as so deferred); or
6.5.2 rescind this Agreement without liability to the Vendor whereupon and from such date the provisions of this Agreement (other than clauses 1, 7, 10, 12 and 13) shall have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties in respect of antecedent breaches).

6.6 For so long after Completion as the Vendor (or their nominee(s)) remains the registered holder of any of the Sale Shares, the Vendor shall hold (or procure the holding of) the Sale Shares and any dividend, distributions, property and rights deriving from them in trust for the Purchaser and shall deal (or procure the dealing) with the Sale Shares and any dividend, distributions, property and rights deriving from them as the Purchaser directs; in particular, the Vendor shall exercise (or procure the exercise of) all voting rights attached to the Sale Shares as the Purchaser directs or shall execute (or procure the execution of) an instrument of proxy or other document which enables the Purchaser or its representative to attend and vote at any meeting of the Company.

7. WARRANTIES AND INDEMNITIES BY THE VENDOR

7.1 The Vendor warrants and represents to the Purchaser in the terms of the Warranties. The Guarantor separately warrants and represents to the Purchaser in the terms of the Warranties on the basis that each reference to the Vendor in the Warranties shall be deemed to be a reference to the Guarantor.

7.2 The Vendor acknowledges that, in entering into this Agreement, the Purchaser has relied upon prior representations by the Vendor in the terms of the Warranties.

7.3 The Vendor shall not (in the event of any claim being made against the Vendor in connection with the sale of the Sale Shares to the Purchaser) make any claim against any member of the Group (or any Associate) or against any director or employee of any member of the Group (or any Associate) on whom the Vendor may have relied before agreeing to any term of this Agreement.

7.4 Each of the Warranties shall be construed as a separate warranty and except where this Agreement expressly provides otherwise, each Warranty is not limited or restricted by reference to or inference from the terms of any other Warranty or any other term of this Agreement.

7.5 The Vendor shall procure that the Warranties are true and accurate at all times up to and including Completion by reference to the facts and circumstances then subsisting and, for this purpose, the Warranties shall be deemed to be repeated at all times up to and including Completion as if any express or implied reference therein to the date of this Agreement shall be replaced by a reference to the time at which such Warranty is deemed to be repeated.

7.6 The Warranties are and shall be given subject to the matters disclosed or referred to in the Disclosure Letter to the intent that the Vendor shall not be liable by reason of any of the Warranties being untrue or misleading or breached to the extent that the same has been disclosed in the Disclosure Letter.

7.7 The total liability of the Vendor and the Guarantor under Clauses 7 and 8 of this Agreement shall not exceed the Acquisition Price (as adjusted in accordance with Clause 4 above).

7.8 The Vendor and the Guarantor shall have no liability under this Agreement:

7.8.1 unless, in the case of any particular claim, the amount thereof shall exceed HK$1,000,000; or

7.8.2 until the aggregate amount of all valid claims which could otherwise be made under this Agreement (including all claims which could be made but for the operation of Clause 7.8.1) shall exceed HK$3,000,000 at which time all such valid claims shall become payable.
7.9 If any claim for breach of Warranties is brought under this Agreement in relation to any liability of the Purchaser, the Company or any member of the Group which is contingent only, the Vendor shall not be liable to make any payment in respect thereof until such contingent liability becomes an actual liability.

7.10 In the event of any claim for breach of any of the Warranties, it shall be open to the Vendor to reduce the amount of such claim by the amount by which at the date of such claim:

7.10.1 any contingency provided against in the Accounts is certified by the auditors of the Company as having been discharged or satisfied below the amount attributed thereto in the Accounts;

7.10.2 any contingency provided against in the accounts is certified by the auditors of the Company as having been ascertained as over-provided for in the Accounts; and/or

7.10.3 the amount of any taxation credits, reliefs or set off due to or received by the Purchaser, the Company or any member of the Group except to the extent that the same shall have been taken into account in the Accounts;

and any costs incurred in computing and/or certifying the amount of any such reduction shall be borne by the Vendor.

7.11 The Vendor shall not be liable for breach of any Warranty to the extent that such liability arises by reason of any act or omission effected by the Purchaser after Completion or by reason of any retrospective change in the law or practice of relevant tax authorities coming into force after the date hereof or to the extent such liability arises or is increased by an increase in rates of taxation after the date hereof with retrospective effect.

7.12 To the extent that the Purchaser shall have been compensated in respect of any facts or circumstances for any breach of any of the Warranties or under any terms of this Agreement, the Purchaser shall not be entitled to claim under any other of the Warranties or other term of this Agreement in respect of the same facts or circumstances.

7.13 If the Vendor pays any amount to the Purchaser by way of damages for breach of the Warranties (a "Damages Payment") and the Purchaser subsequently receives any amount (the "Repaid Amount") from any third party otherwise than from the Vendor which payment would not have been received but for the circumstances giving rise to the claim in respect of which the Damages Payment was made, the Purchaser shall, once it has received such amount, as soon as reasonably practicable repay to the Vendor the Repaid Amount.

7.14 If the Vendor pays any Damages Payment to the Purchaser and any member of the Group subsequently receives the Repaid Amount from any third party otherwise than from the Vendor which payment would not have been received but for the circumstances giving rise to the claim in respect of which the Damages Payment was made, the Purchaser shall as soon as reasonably practicable repay to the Vendor such part of the Repaid Amount which is proportionate to its shareholding in the Company as at Completion.

7.15 The Purchaser shall be entitled to claim both before and after Completion that any of the Warranties is or was untrue or misleading or has or had been breached even if the Purchaser could have discovered on or before entering into this Agreement or before Completion that the Warranty in question was untrue or misleading or had been breached and Completion shall not in any way constitute a waiver of any of the Purchaser’s rights.

7.16 The Vendor undertakes to indemnify and keep indemnified the Purchaser at any time and from time to time from and against all claims, liabilities, losses, reasonable costs and expenses which the Purchaser may suffer or incur or which may be made against the Purchaser either before or after the commencement of and arising out of, or in respect of, any action in connection with:
7.16.1 the settlement of any claim that (i) any of the Warranties or any other term of this Agreement (together the "Undertakings") is untrue or misleading or has been breached; or (ii) any of the undertakings and indemnities in clause 8 has been breached;

7.16.2 any legal proceedings taken by the Purchaser claiming that (i) any of the Undertakings is untrue or misleading or has been breached; or (ii) any of the undertakings and indemnities in clause 8 has been breached and in which judgment is given for the Purchaser; and

7.16.3 the enforcement of any such settlement or judgment relating to the subject matter in clauses 7.16.1 and 7.16.2 of this Agreement.

7.17 The rights and remedies of the Purchaser in respect of a breach of any of the Warranties shall not be affected by Completion, by any investigation made by or on behalf of the Purchaser into the affairs of the Group, by the giving of any time or other indulgence by the Purchaser to any person, by the Purchaser rescinding or not rescinding this Agreement, or by any other cause whatsoever except a specific waiver or release by the Purchaser in writing; and any such waiver or release shall not prejudice or affect any remaining rights or remedies of the Purchaser.

7.18 Nothing in this clause 7 restricts or limits any general obligation at law of each of the Purchaser, the Company and the Subsidiaries to mitigate any loss or damage which it may suffer or incur as a consequence of any breach of any Warranty.

7.19 If before Completion:

7.19.1 the Purchaser becomes aware that any of the Warranties was at the date of this Agreement, or has since become, untrue or misleading or that the Vendor is in breach of any term of this Agreement; or

7.19.2 save as specifically disclosed or otherwise provided in this Agreement (including clause 8.1 hereof), any other event occurs which has, or could be reasonably expected to have, or is likely to result in, a material adverse effect on the financial position or business prospects of the Group and the Associates as a whole;

the Purchaser shall be entitled to rescind this Agreement without liability to the Vendor and the provisions of clause 6.5.2 shall apply.

7.20 The rights, including rights of rescission, conferred on the Purchaser by this Agreement are in addition and without prejudice to all other rights and remedies available to the Purchaser, and no exercise or failure to exercise a right under this Agreement or otherwise or to invoke a remedy shall constitute a waiver of that right or remedy by the Purchaser.

8. UNDERTAKINGS AND INDEMNITIES BY THE VENDOR

[* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]

9. UNDERTAKING BY THE PURCHASER

9.1 The Purchaser hereby irrevocably and unconditionally undertakes to the Vendor that in the event that the Purchaser does not exercise the Options during the Option Period, upon expiry of the Option Period, or if the Options are exercised but the sale and purchase of the Option Shares is not completed in accordance with the terms of the Option Deed, the director of the Company nominated by the Purchaser shall resign from the audit and remuneration committees of the Company.
9.2 The Purchaser undertakes that, upon expiry of the Option Period, it shall procure the resignation of the person nominated by the Purchaser and appointed as director of Beijing Huicong.

10. GUARANTEE AND INDEMNITY

10.1 In consideration of the Purchaser agreeing to purchase the Sale Shares from the Vendor on the terms set out in this Agreement, the Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and punctual discharge by the Vendor of all of its obligations of whatever nature (which shall, for the avoidance of doubt, include its liabilities to pay damages and satisfy any indemnity, agreed or otherwise) under this Agreement (the “Guaranteed Obligations”) and promises to pay on demand each sum (including any interest charges thereon up to and including such charges arising from the date of demand hereof until the date of payment hereunder) which the Vendor is liable to pay under this Agreement.

10.2 Without prejudice to the rights of the Purchaser against the Vendor as primary obligor, the Guarantor shall be deemed a principal debtor in respect of its obligations under this Agreement and not merely a surety and accordingly the Guarantor shall not be discharged nor shall its liability hereunder be affected by any act or thing or means whatsoever by which its said liability would not have been discharged if it had been a primary debtor.

10.3 The Guarantor’s obligations shall be a continuing guarantee. The Purchaser may make claims and demands of the Guarantor without limit of number.

10.4 The Guarantor’s obligations shall be in addition to and not in substitution for, and shall not be prejudiced by, any rights which the Purchaser may have pursuant to any other agreement or security which the Purchaser may enter into or obtain in relation to this Agreement or the Guaranteed Obligations and the Guarantor’s obligations may be enforced against it without first having recourse to any such rights or security.

10.5 The Guarantor’s liability to the Purchaser shall not be discharged, impaired or affected by reason of:

10.5.1 any time, indulgence or waiver which the Purchaser may grant to the Vendor or any other person;

10.5.2 any legal limitation, disability or incapacity or other circumstances relating to the Vendor, or any amendment to or variation of any of the terms of this Agreement or of any Guaranteed Obligations;

10.5.3 any defect in the obligations of the Purchaser;

10.5.4 any amendment to this Agreement;

10.5.5 the liquidation or dissolution of the Vendor or the appointment of a receiver, administrative receiver or administrator of any of the Vendor’s assets or any change of control of the Vendor or the occurrence of any circumstance affecting the liability of the Vendor to discharge any Guaranteed Obligations; or

10.5.6 any other matter or circumstance whereby but for this provision the Guarantor would or might be discharged from liability under this clause 10.

10.6 As a separate, additional and continuing obligation, the Guarantor unconditionally and irrevocably undertakes with the Purchaser that, should the Guaranteed Obligations not be recoverable from the Guarantor under clauses 10.1 and 10.2 for any reason whatsoever (including, but without prejudice to the generality of the foregoing, by reason of any provision of this Agreement being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that that may have been known to the Purchaser, the Guarantor will as a sole, original, and independent obligation make payment of the Guaranteed Obligations to the Purchaser on demand by way of a full indemnity.
10.7 The Guarantor will indemnify the Purchaser against all losses, claims, costs, charges and expenses to which it may be subject or which it may incur whilst acting in good faith under or pursuant to this Agreement as a result of any default by the Vendor in performing any Guaranteed Obligations or by the Guarantor in performing its obligations under this Agreement.

10.8 Where:

10.8.1 any discharge (whether in respect of the Guaranteed Obligations, this Agreement or otherwise) is made in whole or in part; or

10.8.2 any arrangement is made,

in either case on the faith of any payment, security or disposition which is avoided or must be repaid the liability under this Agreement shall continue as if there had been no such discharge or arrangement and the Guarantor shall indemnify the Purchaser in respect thereof.

10.9 The Guarantor hereby covenants with the Purchaser that after demand has been made by the Purchaser hereunder and until the amount so demanded has been paid in full or unless otherwise agreed in writing by the Purchaser:

10.9.1 the Guarantor will not make demand for the payment of any moneys from time to time due or becoming due to the Guarantor from the Vendor by reason of any payment made by the Guarantor hereunder or exercise any other right or remedy to which it may be entitled in respect of such moneys including (without prejudice to the generality of the foregoing) any rights of subrogation or contribution or other right of a surety discharging its liability;

10.9.2 in the event of the insolvency or liquidation of the Vendor the Guarantor will not prove in any such insolvency or liquidation in competition with the Purchaser for any moneys owing to the Guarantor by the Vendor by reason of any payment made by the Guarantor hereunder;

10.9.3 any security taken by the Guarantor from the Vendor in consideration of this guarantee and indemnity together with any moneys received by the Guarantor by proving in respect of any claim by the Guarantor in the insolvency or liquidation of the Vendor, shall be held in trust absolutely for the benefit of the Purchaser for the obligations of the Guarantor hereunder.

10.10 The Guarantor agrees, acknowledges and declares that:

10.10.1 if any payment received by the Purchaser in respect of moneys due or owing to the Purchaser from the Vendor shall, on the subsequent insolvency or liquidation of the Vendor be avoided under any laws relating to insolvency or liquidation and the amount thereof repaid by the Purchaser, such payment shall not be considered as discharging or diminishing the liability of the Guarantor and this clause 10 shall continue to apply as if such payment had at all times remained owing by the Vendor to the Purchaser and the Guarantor shall indemnify the Purchaser in respect thereof;

10.10.2 after demand has been made by the Purchaser hereunder and until the amount so demanded has been paid in full:

(A) the Purchaser may take such action as it shall in its own discretion consider appropriate against the Vendor or otherwise to recover all sums due and payable to it under this Agreement, the Guarantor however remains liable under this clause 10 for performance of the Guaranteed Obligations;

(B) for the purpose of enabling the Purchaser to sue the Vendor or to prove in its liquidation or in any similar proceedings for any moneys due and unpaid by the Vendor to the Purchaser, the Purchaser may at any time place and keep for such time as it may think fit any moneys received hereunder to the credit of a securities realised account without any obligation on the part of the Purchaser to ap-
ply the same or any part thereof in or towards the discharge of the debts and liabilities of the Vendor to the Purchaser. Upon the Purchaser having received all moneys owing or due and payable or to become owing or due and payable by the Guarantor and the Vendor to the Purchaser under this Agreement any moneys thereafter standing to the credit of such securities realised account shall be released to the Guarantor.

10.11 All payments under the guarantee and indemnity contained in clauses 10.1 to 10.10 above shall be made without any set-off, counterclaim or equity and free from, clear of and without deduction for any Tax whatsoever, present or future. If the Guarantor is compelled by the law of any applicable jurisdiction (or by an order of any regulatory authority in such jurisdiction) to withhold or deduct at source any sums in respect of Tax, duties, levies, imposts or charges from any amount payable to the Purchaser under the said guarantee and indemnity, or if any such withholding or deduction is made in respect of any recovery under the said guarantee and indemnity, the Guarantor shall pay such additional amount as may be necessary to ensure that the amount received by the Purchaser shall equal the full amount due to it under the provisions of the said guarantee and indemnity and will supply the Purchaser promptly, with evidence satisfactory to the Purchaser, that the Guarantor has accounted to the relevant authority for the sum withheld or deducted.

10.12 Any certificate provided by the Purchaser of the amount due to the Purchaser under this clause 10 shall be final, binding and conclusive as against the Vendor save for any manifest error.

11. GENERAL

11.1 The Vendor shall use its reasonable endeavours to procure that as from the date of this Agreement the Purchaser (and any person authorised by it) shall be entitled to conduct such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Group as the Purchaser in its absolute discretion deems necessary, desirable or appropriate and the Vendor shall use its reasonable endeavours to, subject to Clause 11.2 hereof and the Purchaser executing a confidentiality undertaking in favour of the Company (if required by the Company) on substantially the same terms set out in Clause 11.2, procure that the Purchaser and any persons authorised by it shall on giving reasonable prior notice and during normal office hours be given full access to the employees, premises, plant, machinery, books of account, records and documents of the Company and each of its subsidiaries as the Purchaser may reasonably request.

11.2 Each party (including their representatives and authorised persons) shall, and shall use their reasonable endeavours to procure the Company that it shall, at all times keep confidential and not directly or indirectly make or allow any disclosure or use to be made of any information in its possession or otherwise obtained pursuant to this Agreement relating to any other party, the Company and each of its Subsidiaries or to the existence or subject matter of this Agreement, except:

11.2.1 to the extent required by law or any regulatory body;

11.2.2 where the information is already disclosed in the public domain otherwise than pursuant to or arising from a breach by the parties (including their representatives and authorised persons) of its confidentiality undertaking under this Clause; or

11.2.3 with the consent of the other party (which consent shall not be unreasonably withheld).

11.3 The parties agree that (and the Vendor will use all reasonable endeavours to procure that the Company will ensure that) any announcement or circular required to be disclosed or issued by law or any regulatory body (including the SFC and the Stock Exchange) concerning the subject matter of this Agreement, the Options and the HC Construction Option shall only be made or issued after consultation with the other parties and after taking into account the reasonable requirements of the other parties as to the contents of such announcement or circular.
11.4 No party may assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge or otherwise dispose in any manner whatsoever of the benefit of this Agreement and no party may sub contract or delegate in any manner whatsoever its performance under this Agreement except with the prior written consent of the other parties.

11.5 In the event of an assignment pursuant to clause 11.4, the original contracting party remains liable to procure the performance of the obligations under the agreement by the assignee.

11.6 Each of the parties confirms that this Agreement together with the documents in the agreed form, represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and supersedes any previous agreement between the parties with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom.

11.7 If any provision or part of this Agreement is void or unenforceable due to any applicable law, it shall be deemed to be deleted and the remaining provisions of this Agreement shall continue in full force and effect.

11.8 So far as it remains to be performed this Agreement shall continue in full force and effect after Completion. The rights and remedies of the parties shall not be affected by Completion.

11.9 The Vendor shall after Completion execute all such deeds and documents and do all such things as the Purchaser may reasonably require for perfecting the transactions intended to be effected under or pursuant to this Agreement and for giving the Purchaser the full benefit of the provisions of this Agreement, including vesting in the Purchaser the legal and beneficial title to the Sale Shares.

11.10 Any payments made by or due from the Vendor or the Guarantor under, or pursuant to the terms of, this Agreement shall be free and clear of all Taxation whatsoever save only for any deductions or withholdings required by law.

11.11 If any deductions or withholdings are required by law, or any payments made by or due from the Vendor under this Agreement are liable for Taxation or would have been liable for Taxation but for the utilisation of any Tax relief in respect of such liability, the Vendor shall be liable to pay to the Purchaser such further sums as shall be required to ensure that the net amount received by the Purchaser will equal the full amount which would have been received under the relevant provision of this Agreement in the absence of any such deductions withholdings or Taxation liabilities.

11.12 The rights and remedies of the parties shall not be affected by the giving of any indulgence by any other party or by anything whatsoever except a specific waiver or release in writing and any such waiver or release shall not prejudice or affect any other rights or remedies of the Parties.

11.13 This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when executed and delivered shall be an original but all the counterparts together constitute one instrument.

11.14 No variation of this Agreement (or any of the documents referred to in it) shall be valid unless it is in writing (which, for this purpose, does not include e mail) and signed by or on behalf of each of the Parties to this Agreement.

11.15 Every payment payable by the Vendor and the Guarantor under this Agreement shall be made in full without any set off or counterclaim howsoever arising and shall be free and clear of, and without deduction of, or withholding for or on account of, any amount which is due and payable to the Vendor or the Guarantor under this Agreement.
The parties shall pay their own costs in connection with the preparation and negotiation of this Agreement and any matter contemplated by it (including but not limited to their respective stamp duty, SFC transaction levy and Stock Exchange trading fee).

No delay or failure by a party to exercise or enforce (in whole or in part) any right provided by this Agreement or by law shall operate as a release or waiver, or in any way limit that party’s ability to further exercise or enforce that, or any other, right. A waiver of any breach of any provision of this Agreement shall not be effective, or implied, unless that waiver is in writing and is signed by the party against whom that waiver is claimed.

The parties acknowledge and agree that in the event of a default by any party in the performance of their respective obligations under this Agreement, the non-defaulting parties shall have the right to obtain specific performance of the defaulting party’s obligations. Such remedy to be in addition to any other remedies provided under this Agreement or at law.

12. **NOTICES**

A notice (including any approval, consent or other communication) in connection with this Agreement and the documents referred to in it:

must be in writing;

must be left at the address of the addressee or sent by pre paid first class post (airmail if posted to or from a place outside Hong Kong) to the address of the addressee or sent by facsimile to the facsimile number of the addressee in each case which is specified in this clause in relation to the party to whom the notice is addressed, and marked for the attention of the person so specified, or to such other address or facsimile number in Hong Kong and/or marked for the attention of such other person, as the relevant party may from time to time specify by notice given in accordance with this clause.

The relevant details of each party at the date of this Agreement are:

**Vendor**
Address: 10/F, Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong
Facsimile: (852) 2529 1619
Attention: Simon Ho

**Guarantor**
Address: Room 616, Tower A, COFCO Plaza, 8 Jianguomennei Dajie, Beijing 100005, PRC
Facsimile: (8610) 6526 0700
Attention: Li Jianguang

**Purchaser**
Address: c/o 22/F Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong
Facsimile: (852) 2552 5925
Attention: Legal Department

for the avoidance of doubt, must not be sent by electronic mail.
12.2 In the absence of evidence of earlier receipt, any notice shall take effect from the time that it is deemed to be received in accordance with clause 12.3 below.

12.3 Subject to clause 12.4 below, a notice is deemed to be received:

12.3.1 in the case of a notice left at the address of the addressee, upon delivery at that address;

12.3.2 in the case of a posted letter, on the third day after posting or, if posted to or from a place outside Hong Kong, the seventh day after posting; and

12.3.3 in the case of a facsimile, on production of a transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient.

12.4 A notice received or deemed to be received in accordance with clause 12.3 above on a day which is not a Business Day or after 5 p.m. on any Business Day, according to local time in the place of receipt, shall be deemed to be received on the next following Business Day.

12.5 Each party undertakes to notify the other parties by notice served in accordance with this clause if the address specified herein is no longer an appropriate address for the service of notices.

13. GOVERNING LAW

13.1 This Agreement shall be governed by, and construed in accordance with, Hong Kong law.

13.2 Each party irrevocably agrees for the benefit of the Purchaser that the Courts of Hong Kong shall have non-exclusive jurisdiction in relation to any claim, dispute or difference concerning this Agreement and any matter arising therefrom.

13.3 Each party irrevocably waives any right that it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

13.4 The submission to the jurisdiction of the Courts of Hong Kong shall not (and shall not be construed so as to) limit the right of the Purchaser to bring legal proceedings in any other court of competent jurisdiction including without limitation the courts having jurisdiction by reason of the Purchaser’s domicile. Legal proceedings by the Purchaser in any one or more jurisdictions shall not preclude legal proceedings by it in any other jurisdiction, whether by way of substantive action, ancillary relief, enforcement or otherwise.

13.5 The Purchaser hereby appoints Publishers Representatives Limited, with correspondence address at 22nd Floor, Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong (Attention: Legal Department), as its agent to accept service of legal process on its behalf. The Purchaser irrevocably agrees that if its process agent ceases to have an address in Hong Kong or ceases to act as its process agent, it shall appoint a new process agent acceptable to the other Parties and will deliver to the other parties to this Agreement within 14 days a copy of written acceptance of appointment by the new process agent.

13.6 The Vendor and the Guarantor hereby irrevocably appoint Simon Ho of IDGVC Partners at 10/F., Effectual Building, 16 Hennessy Road, Wanchai, Hong Kong as their agent to accept service of legal process on their behalf. The Vendor and the Guarantor irrevocably agree that if their process agent ceases to have an address in Hong Kong or ceases to act as their process agent, they shall appoint a new process agent acceptable to the other Parties and will deliver to each of the other parties to this Agreement within 14 days a copy of written acceptance of appointment by the new process agent.

13.7 Subject to clauses 13.5 and 13.6, each party agrees that without preventing any other mode of service, any document in an action (including, but not limited to, any writ of summons or other originating process or
any third or other party notice) may be served on any party by being delivered to or left for that party at its
address for service of notices under clause 12 and each party undertakes to maintain such an address at all
times in Hong Kong and to notify the other party in advance of any change from time to time of the details
of such address in accordance with the manner prescribed for service of notices under clause 12.

IN WITNESS of which the parties have executed this Agreement on the date first mentioned above.
THE PERSONS NAMED IN SCHEDULE 1

and

TRADE MEDIA HOLDINGS LIMITED

CALL OPTIONS DEED

RELATING TO

SHARES IN

HC INTERNATIONAL, INC.

Herbert Smith LLP
THIS DEED is made on 24th May 2006

BETWEEN

1. The persons named in Schedule 1 hereof whose respective addresses are set out in Schedule 1 (the “Grantors”); and

2. TRADE MEDIA HOLDINGS LIMITED, a company incorporated in the Cayman Islands and having its registered address at P.O. Box 219 GT, Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands (the “Grantee”).

WHEREAS

(A) Reference is made to the sale and purchase agreement in relation to the Shares dated the same date of this Deed made between IDG Technology Venture Investment, Inc. and the Grantee (the “Sale and Purchase Agreement”).

(B) Each Grantor is the legal and beneficial owner of the relevant Option Shares (as defined below) set out in Schedule 1.

(C) In consideration of the Grantee agreeing to enter into the Sale and Purchase Agreement, the Grantors have agreed to grant options over the Option Shares to the Grantee on the terms and conditions set out in this Deed.

IT IS HEREBY AGREED:

1. INTERPRETATION

1.1 In this Deed, unless the context requires otherwise, terms used herein shall have the same meaning as those used in the Sale and Purchase Agreement save that:

“Accounts” means the latest audited consolidated balance sheet and profit and loss account of the Company and its subsidiaries in respect of the accounting reference period ended on the Accounts Date;

“Accounts Date” means 31 December 2005;

“Acquisition Price” means HK$2.2592 per Option Share;

“Beijing Huicong” means 北京慧聪国际资讯有限公司 (Beijing Huicong International Information Co., Ltd.), a sino-foreign cooperative joint venture company incorporated in the PRC;

“Beijing Huicong Option Equity Interests” means the entire equity interest of the Grantor in the registered capital of Beijing Huicong (representing 18% of the entire registered capital of Beijing Huicong) and any Equity Interests for the time being representing the same by reason of any alteration in the registered capital of Beijing Huicong or any amalgamation, reorganisation or reconstruction of Beijing Huicong, provided that the Beijing Huicong Option Equity Interests shall represent not less than 18% of the total Equity Interests as at the
date of completion of the sale and purchase of all the Beijing Huicong Option Equity Interests;

“Business Day” means a day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business;

“Company” means HC International, Inc, a company incorporated in Cayman Islands;

“Completion” means completion of the sale and purchase of the Option Shares upon each exercise of the Options in accordance with Clause 6.2;

“Equity Interests” means equity interests in the registered capital of Beijing Huicong;

“Exercise Notice” means a notice to exercise the Option(s) in the form set out in Schedule 3;

“Exercise Price” means HK$2.2592 per Option Share which shall be payable in cash, subject to adjustment as provided for in Clause 3;

“Group” means the Company and its subsidiaries as at the date of this Deed;

“HC Construction” means HC Construction Co., Ltd., a company incorporated in the PRC;

“HC Construction Option” means the option granted by HC Construction to the Grantee whereby the Grantee has the right to request HC Construction to sell or to procure the sale of all of HC Construction's Equity Interests in Beijing Huicong pursuant to the terms of the HC Construction Option Deed entered into between HC Construction and the Grantee dated the same date as this Deed;

“HC Construction Option Deed” means the option deed entered into by HC Construction and the Grantee dated the same date as this Deed in relation to the HC Construction Option;

“Individual Grantors” means Grantors other than IDG Technology Venture Investment, Inc., [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.];

“Options” means the options granted by the Grantors to the Grantee whereby the Grantee has the right to request the Grantors to sell or to procure the sale of Option Shares pursuant to Clauses 2.1.1 of this Deed;

“Option Period” means the period commencing on the date of completion of the Sale and Purchase Agreement and ending on the expiry of the 12-month period from the date of the completion of the Sale and Purchase Agreement;

“Option Shares” means the issued Shares (details of which are set out in the third column (from the left) of the table in Schedule 1) which are le-
ally and beneficially owned by the relevant Grantors and any Shares issued to [*Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.] under the options granted as set out in the fourth column of Schedule 1 during the Option Period, together with any further shares, stock or other securities in the Company which are derived from the Option Shares or which are distributed by the Company in respect of the Option Shares and any shares, stock or other securities for the time being representing the same by reason of any alteration in the share capital of the Company or any amalgamation, reorganisation or reconstruction of the Company up to and including Completion;

“Pre-IPO Share Option Scheme” means the pre-IPO share option scheme adopted by the shareholders of the Company on 30 November 2003;

“PRC” means the People’s Republic of China;

“Shares” means ordinary shares of HK$0.10 each in the share capital of the Company;

“Share Option Scheme” means the post-IPO share option scheme adopted by the shareholders of the Company on 30 November 2003;

“Shareholders” means holders of Shares;

“Takeovers Code” means the Codes or Takeovers and Mergers and Share Repurchases;

“Taxation” means all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever and by whatever authority, and whether of the PRC or elsewhere, including (without limitation) profits tax, provisional profits tax, salaries tax, provisional salaries tax, property tax, provisional property tax, interest tax, estate duty, customs and other import duties, excise duties, rates, stamp duty, capital duty, fees payable on any increase of the authorised or issued share capital of a company or on the allotment of any shares in a company, and any other taxes, duties, rates, levies, charges, impost or withholdings corresponding to, similar to, replaced by or replacing any of them together with any interest, penalty, fine or additional sum in connection with any Taxation, and any liability to make a payment by way of reimbursement, recharge, indemnity, damages or management charge connected in any way with any Taxation and regardless of whether any such taxes, duties, rates, levies, charges, impost, withholdings, interest, penalties or fines are chargeable directly or primarily against or attributable directly or primarily to the Company, any of the subsidiaries or any other person, whether any amount in respect of any of them is recoverable from any other person and “Tax” shall be construed accordingly;

“Warranties” means the warranties set out in Schedule 2; and

“Warrantors” means IDG Technology Venture Investment Inc, [*Material omitted and filed separately with the Securities and Exchange
1.2 In this Deed, save where the context otherwise requires:

1.2.1 a reference to a statute or statutory provision shall include a reference to that statute or provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision; to any repealed statute or statutory provision which it re-enacts (with or without modification); and any subordinate legislation made under the relevant statute;

1.2.2 words in the singular shall include the plural, and vice versa;

1.2.3 the masculine gender shall include the feminine and neutral and vice versa;

1.2.4 a reference to a person shall include a reference to a firm, a body corporate, an unincorporated association or to a person's executors or administrators;

1.2.5 a reference to a Clause, paragraph or Schedule (other than to a schedule to a statutory provision) shall be a reference to a Clause, paragraph, or Schedule (as the case may be) of or to this Deed;

1.2.6 if a period of time is specified and commences from a given day or the day of an act or event, it shall be calculated exclusive of that day;

1.2.7 references to any legal term for any action, remedy, method or judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than Hong Kong be deemed to include what most nearly approximates in that jurisdiction to the Hong Kong legal term;

1.2.8 references to writing shall include any modes of reproducing words in a legible and non-transitory form; and

1.2.9 the headings in this Deed are for convenience only and shall not affect the interpretation of any provision of this Deed.

1.3 The designations adopted in the recitals and introductory statements preceding this Clause apply throughout this Deed and the Schedules.

1.4 Where any obligation in this Deed is expressed to be made, undertaken or given by two or more parties, they shall be jointly and severally liable in respect of it.

1.5 Where any reference to “Completion” is made in this Deed, it shall be construed as “Completion in relation to each exercise of the Option”.

2. **GRANT OF THE OPTIONS**

2.1 In consideration of the Grantee agreeing to enter into the Sale and Purchase Agreement and, subject to the completion of the Sale and Purchase Agreement in accordance with its terms,

2.1.1 the Grantors hereby grant to the Grantee an irrevocable and, subject to the terms of this Deed, unconditional right to purchase all (but not part only) of the Option Shares at the Exercise Price (subject to adjustment in Clause 3) at any time during the Option Period; or

2.1.2 if the Grantee, whether by itself or through other entities, makes a general offer for the Shares under the Takeovers Code at a price not less than the Acquisition Price during the Option Period,
(i) each of the Grantors shall, if required by the Grantee, accept such general offer in relation to the Option Shares, and shall, if required by the Grantee, enter into irrevocable undertakings in the form set out in Schedule 4 (the "Irrevocable Undertaking") hereof to accept such general offer;

(ii) if the general offer becomes unconditional, the Grantors shall receive the final offer price in accordance with the terms of the general offer;

(iii) the Options granted under Clause 2.1.1 shall not be exercised; and

(iv) subject to Clause 4.4, the Grantee shall exercise the HC Construction Option at the same time,

provided that:

(i) the Grantors shall not be required to execute any Irrevocable Undertaking unless the Grantee shall have fulfilled its obligations under Clause 4.4; and

(ii) if such general offer does not become wholly unconditional, the Grantee shall have no obligation to purchase any of the Option Shares or the Beijing Huicong Option Equity Interests, notwithstanding any prior exercise of such options; and

2.1.3 each of the Grantors irrevocably and unconditionally undertakes not to sell, transfer, dispose of, charge, encumber or otherwise deal with in any way the relevant Option Shares (or any interest therein) which are legally and/or beneficially owned by them during the Option Period, save with the prior written consent of the Grantee.

2.2 Subject to the terms and conditions of this Deed, the Grantors shall, on exercise of the Options, sell or procure the sale of the Option Shares and the Grantee shall purchase the Option Shares, free from any claim, options, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights of whatsoever nature together with all rights attached or accruing thereto on and after date of such exercise.

2.3 All rights (save for the voting rights) attached to the Option Shares shall accrue to the Grantee on and from the date of service of an Exercise Notice on each of the Grantors and, following Completion, the Grantors shall account to the Grantee for all dividends or other distributions of the Company declared or paid subsequent to the date of service of the Exercise Notices and shall exercise all voting and other rights at the direction of the Grantee.

2.4 The Grantors shall use reasonable endeavours to procure that, until the exercise or expiry of the Options, the Company shall not, save pursuant to any outstanding undertaking, options granted or given by the Company prior to the date of this Deed (including but not limited to options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme as at the date of this Deed [*Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]), issue any shares, stock or securities or make any alteration in its share capital.

2.5 The Grantors waive and agree to procure the waiver of any restrictions on transfer (including pre-emption rights) which may exist in relation to the Option Shares under the memorandum and/or articles of association of the Company or otherwise.

2.6 The Grantee shall not be obliged to complete the purchase of the Option Shares unless all Grantors complete the sale of all the Option Shares set out in an Exercise Notice simultaneously and unless (save as provided in Clause 4.4) the sale of the Beijing Huicong Option Equity Interests pursuant to exercise of the HC Construction Option is completed simultaneously with Completion.
2.7 The Grantee shall not make a general offer under the Takeovers Code at an offer price less than the Acquisition Price at any time during the Option Period. The Options under Clause 2.1.1 and the right under Clause 2.1.2 shall lapse and cease to have any effect if the Grantee, whether by itself or through other entities, makes a general offer for the Shares at a price less than the Acquisition Price during the Option Period.

3. ADJUSTMENT TO EXERCISE PRICE

3.1 The Exercise Price shall from time to time be adjusted as follows:

3.1.1 Consolidation or Subdivision:

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Exercise Price shall be adjusted by multiplying it by the following fraction:

\[
\frac{A}{B}
\]

where

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective from the day following the record date of such consolidation or subdivision.

3.1.2 Bonus issue of Shares:

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve and including any bonus issue), other than Shares issued in lieu of a cash dividend, the Exercise Price shall be adjusted by multiplying it by the following fraction:

\[
\frac{A}{B}
\]

where

A = the aggregate nominal amount of the Shares in issue immediately before such issue; and

B = the aggregate nominal amount of the Shares in issue immediately after such issue.

Such adjustment shall become effective from the day following the record date of such issue of Shares.

3.1.3 Capital distribution:

If and whenever the Company shall pay or make any capital distribution to the Shareholders, or shall grant to Shareholders rights to acquire for cash assets of the Company, the Exercise Price shall be adjusted by multiplying it by the following fraction:

\[
\frac{A - B}{A}
\]
where:

\[ A = \text{the Acquisition Price per Share} \]

\[ B = \text{the fair market value on the record date of such capital distribution, as determined in good faith by a financial adviser appointed by the Grantee (the "Financial Adviser"), of the portion of the capital distribution or of such rights which is attributable to per Share.} \]

Such adjustment shall become effective from the day following the record date of such capital distribution or grant.

3.1.4 Rights Issues of Shares:

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights in each case at less than the Acquisition Price per Share of such issue or grant to Shareholders, the Exercise Price shall be calculated by using the following formula:

\[ \frac{(A \times B) + (C \times D)}{(B + D)} \]

where:

\[ A = \text{the Acquisition Price per Share} \]

\[ B = \text{the total number of Shares in issue immediately before such rights issue} \]

\[ C = \text{the subscription price per Share of the rights issue} \]

\[ D = \text{the number of new Shares issued immediately after the rights issue} \]

Such adjustment shall become effective from the day following the record date of the issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

3.1.5 Issues at less than Acquisition Price:

If and whenever the Company shall issue any Shares or issues or grants options, warrants or other rights to subscribe for or purchase Shares (save for those to be issued upon the exercise of options granted as at the date of this Deed in accordance with the Pre-IPO Share Option Scheme and the Share Option Scheme [Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]), in each case at a price per Share which is less than the Acquisition Price, the Exercise Price shall be calculated by using the following formula:

\[ \frac{A + B}{C} \]

where:

\[ A = \text{the total market capitalisation of the Company based on the Acquisition Price} \]

\[ B = \text{the total consideration to be received from such issues} \]

\[ C = \text{the total number of Shares in issue immediately after such issues} \]
Such adjustment shall become effective on the day following the record date of the issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

3.1.6 Issues of Convertible Securities:

if and whenever the Company or any Subsidiary shall issue any securities which are converted or exchangeable into Shares at a consideration per Share which is less than the Acquisition Price per Share, the Exercise Price shall be adjusted by multiplying it by the following fraction:

\[
\frac{(A + B)}{C}
\]

Where:

A = the total market capitalisation of the Company based on Acquisition Price

B = the total consideration to be received from issue of convertible securities

C = the total number of Shares in issue immediately after full conversion of the convertible securities

Such adjustment shall become effective on the day following the Record date of the issue or grant of such securities.

3.1.7 Other Events:

(a) If the Grantee determines that an adjustment should be made to the Exercise Price as a result of one or more events or circumstances not referred to in this Clause, the Grantee shall at its own expense, request the Financial Adviser to determine (acting as expert) as soon as practicable what adjustment (if any) to the Exercise Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (provided that the adjustment would result in a reduction in the Exercise Price) shall be made and shall take effect in accordance with such determination, such modification (if any) shall be made to the operation of the provisions of this Clause as may be advised by the Financial Adviser to be in their opinion appropriate to give the intended result; and

3.2 Any adjustment to the Exercise Price shall not involve an increase in the Exercise Price (except upon any consolidation of the Shares pursuant to this Clause).

3.3 Every adjustment to the Exercise Price shall be certified in writing by the Financial Adviser. Notice of any adjustments, including the new Exercise Price and the effective date thereof, shall be given to the Grantee as soon as practicable after the determination thereof. In giving any certificate or making any adjustment hereunder, the Financial Adviser shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Grantee and all persons claiming through or under them respectively.

4. EXERCISE OF THE OPTIONS

4.1 The Grantee may exercise the Options by giving an Exercise Notice to each of the Grantors. The Exercise Notices may be given by the Grantee at any time during the Option Period in respect of all (but not part only) of the Option Shares.
4.2 Subject to Clause 4.4 hereof, the Options shall be exercised and completed simultaneously with the exercise of the HC Construction Option.

4.3 At any time after the completion of the Sale and Purchase Agreement and prior to the giving of the Exercise Notice, the Grantee (and any person authorised by it) shall be entitled to conduct such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Group as the Grantee in its absolute discretion deems necessary, desirable or appropriate and the Grantors shall use their reasonable endeavours to, subject to Clause 7.1 hereof and the Grantee executing a confidentiality undertaking in favour of the Company (if required by the Company) on substantially the same terms set out in Clause 7.1, procure that the Grantee and any persons authorised by it shall on giving reasonable prior notice and during normal office hours be given full access to the employees, premises, plant, machinery, books of account, records and documents of the Company and each of its subsidiaries as the Grantee may reasonably request.

4.4 Prior to exercise of the Options or exercise of the Purchaser's right to require the Grantors to accept a general offer for the Shares under Clause 2.1.2(i) as the case may be, the Grantee shall use its reasonable endeavours to obtain from the SFC a ruling (the "SFC Ruling") under the Takeovers Code as to whether exercise of the HC Construction Option is subject to Rule 25 of the Takeovers Code and if applicable, to apply for SFC consent under Rule 25 of the Takeovers Code; and

4.4.1 if the SFC Ruling is that the HC Construction Option will not breach Rule 25 of the Takeovers Code, the Options (and the right under Clause 2.1(i)) may only be exercised if the HC Construction Option is exercised and completed simultaneously;

4.4.2 if the SFC Ruling is that the exercise of the HC Construction Option will breach Rule 25 of the Takeovers Code (or if there are conditions to consent specified in the SFC Ruling), the Options and the right under Clause 2.1.2(i) shall cease to be conditional upon exercise or completion of the HC Construction Option and accordingly may be exercised and completed independently of the HC Construction Option.

4.5 The Grantee shall use its reasonable endeavours to keep the Warrantors notified of the progress of the SFC Ruling before applying for and after obtaining the SFC Ruling.

4.6 The fee payable to the SFC in obtaining the SFC Ruling shall be shared as to half by the Grantee and as to half by the Warrantors.

4.7 The Grantee has the right, but not the obligation, to give the Exercise Notice and/or to complete the sale and purchase of the Option Shares.

4.8 After the giving of any Exercise Notice, the Grantee and the relevant Grantor(s) shall enter into formal sale and purchase agreement(s) containing such terms as the Grantor(s) and the Grantee may mutually agree within 15 days of the date of the Exercise Notice. If the said parties fail to execute formal sale and purchase agreement(s) in respect of the relevant Option Shares, the Grantee shall have the right at its absolute discretion (but not the obligation) to proceed with the purchase of the Option Shares upon the remaining terms of this Deed, and the Grantors shall be obliged to sell the Option Shares in accordance with Clause 6.

4.9 [*Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.*]

5. **WARRANTIES AND UNDERTAKINGS**

5.1 Each Individual Grantor warrants and represents that he or she has full power and authority to execute and deliver this Deed and to consummate the transactions contemplated under this Deed.
5.2 Each Grantor (other than the Individual Grantors) warrants and represents to the Grantee in the terms of the Warranties in paragraph 1 of Schedule 2 severally to the extent relating to the Option Shares owned by it as set out in Schedule 1.

5.3 Each Grantor warrants and represents to the Grantee in the terms of the Warranties in paragraph 2 of Schedule 2 (and in respect of paragraphs 2.1 and 2.2, severally and only to the extent relating to the Option Shares owned by it as set out in Schedule 1).

5.4 Each Warrantor warrants and represents to the Grantee in the terms of the Warranties in paragraphs 3 to 5 in Schedule 2.

5.5 The Grantors shall procure that the Warranties (save for the Warranties in paragraph 5 of Schedule 2, where relates only to the date of this Deed,) are true and accurate at all times up to and including Completion by reference to the facts and circumstances then subsisting and, for this purpose, such Warranties shall be deemed to be repeated at all times up to and including Completion as if any express or implied reference therein to the date of this Deed shall be replaced by a reference to the time at which such Warranty is deemed to be repeated.

5.6 The Grantee shall be entitled to claim both before and after Completion that any of the Warranties is or was untrue or misleading or has or had been breached even if the Grantee discovered or could have discovered on or before entering into this Deed and before Completion that the Warranty in question was untrue or misleading or had been breached and Completion shall not in any way constitute a waiver of any of the Grantee's rights.

5.7 The Grantee shall not, prior to the exercise or expiry of the Option Period and (if appropriate) Completion, transfer, dispose of, charge, pledge or encumber in any way its interests in any of the Option Shares.

5.8 The Warrantors shall use reasonable endeavours to procure that until the exercise or expiry of the Options and (if appropriate) Completion and save with the prior consent of the Grantee (which consent shall not be unreasonably withheld or delayed):

(A) no alterations will be made to the memorandum and/or articles of association of the Company and no regulations or resolutions inconsistent with them will be adopted;

(B) the Company will not make any substantial change in the nature of its business, which shall continue to be carried on in the ordinary course;

(C) the Company will not enter into any transaction that is not in the normal and ordinary course of conducting its business nor enter into any transaction which is not on arm’s length terms; and

(D) no resolution will be passed for the voluntary winding-up of the Company.

5.9 The Warrantors undertake to indemnify and keep indemnified at any time and from time to time the Grantee on demand from and against all claims, liabilities, losses, costs and expenses which the Grantee may suffer or incur or which may be made against the Grantee either before or after Completion in respect of any breach of the undertakings or indemnities in this Clause 5.

5.10 The total liability of each of the Grantors under this Deed shall not exceed the aggregate price for the Option Shares to be received by the respective Grantors.

5.11 Each of the Grantors shall have no liability under this Deed:

5.11.1 unless, in the case of any particular claim, the amount thereof shall exceed HK$1,000,000; or
5.11.2 until the aggregate amount of all valid claims which could otherwise be made under this Deed shall exceed HK$3,000,000, at which time all such valid claims shall become payable.

5.12 The liability of each of the Grantors to the Grantee hereunder shall:

5.12.1 in relation to any of the Warranties on Taxation, cease upon expiry of 7 years from the date of Completion; and

5.12.2 in relation to any of the other Warranties or other indemnities, cease upon the earlier of the expiry of 2 years from the date of Completion.

6. COMPLETION

6.1 Completion of the sale and purchase of the relevant Option Shares in relation to the exercise of the Options in full shall, subject to Clause 4.4, take place simultaneously with the completion of the sale and purchase of the Beijing Huicong Option Equity Interests under the HC Construction Option Deed at such time not later than 30 days after the date of the Exercise Notice or 5 Business Days after the exercise of the HC Construction Option becomes unconditional (excluding such conditions relating to the sale and purchase of the Option Shares), whichever is the later, and at such place in Hong Kong as may be specified in the Exercise Notice or otherwise notified by the Grantee.

6.2 At Completion, the following business shall be transacted:

6.2.1 the relevant Grantor(s) shall deliver or cause to be delivered to the Grantee duly executed instrument of transfer(s) and sold notes in respect of the relevant Option Shares as set out in the Exercise Notice in favour of the Grantee or its specified nominee accompanied by the share certificate(s) for the relevant Option Shares or, where applicable, procure its designated CCASS Participant to give irrevocable delivery instruction to effect a book entry settlement of the Option Shares in accordance with the General Rules and the Operational Procedures to the credit of the stock accounts of the CCASS Participants of the Grantee in accordance with the instructions provided to the Grantor by the Grantee prior to Completion;

6.2.2 the Grantee shall pay to the Grantors by electronic funds transfer to the Grantors' respective bank accounts (as notified to the Grantee prior to such payment) an amount equal to the aggregate Exercise Price for such Option Shares; and

6.2.3 the Grantors shall procure that the directors of the Company shall approve the transfers of the Option Shares for registration and the entry of the transferee(s) in the register of members of the Company, in each case subject only to the transfers being subsequently presented duly stamped.

6.3 If any of the Grantors defaults (“Defaulting Grantor”) in transferring the relevant Option Shares:

6.3.1 the Grantee shall be deemed to be the duly appointed agent and attorney of the Defaulting Grantor with full irrevocable power to execute, complete and deliver in the name of and on behalf of the Defaulting Grantor a sale and transfer of the relevant Option Shares to the Grantee or its nominee;

6.3.2 the Grantee may request the Company to enter the name of the Grantee or its nominee in the register of members as the holder of the relevant Option Shares; and

6.3.3 the Grantee shall forthwith pay the aggregate Exercise Price into a separate bank account in the Grantee's name and, when the Defaulting Grantor shall deliver up its certificate or certificates for the relevant Option Shares to the Grantee, the Grantors shall thereupon be paid
the aggregate Exercise Price, without interest and less any sums owed to the Grantee by the Grantors.

7. GENERAL

7.1 Each party (including their representatives and authorised persons) shall, and shall use their reasonable endeavours to procure the Company that it shall, at all times keep confidential and not directly or indirectly make or allow any disclosure or use to be made of any information in its possession or otherwise obtained pursuant to this Deed relating to any other party, the Company and each of its subsidiaries or to the existence or subject matter of this Deed, except:

7.1.1 to the extent required by law or any regulatory body;

7.1.2 where the information is already disclosed in the public domain otherwise than pursuant to or arising from a breach by the Grantee or any Grantor (including their representatives and authorised persons) of its confidentiality undertaking under this Clause; or

7.1.3 with the consent of the other party (which consent shall not be unreasonably withheld).

7.2 Any announcement or circular required to be disclosed or issued by law or any regulatory body (including the SFC and the Stock Exchange) shall only be made or issued after consultation with the other parties and after taking into account the reasonable requirements of the other parties as to the contents of such announcement or circular. No party may assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge or otherwise dispose in any manner whatsoever of the benefit of this Deed and no party may sub-contract or delegate in any manner whatsoever its performance under this Deed except with the prior written consent of the other parties.

7.3 In the event of an assignment pursuant to Clause 7.2, the original contracting party remains liable to procure the performance of the obligations under the agreement by the assignee.

7.4 Each of the parties confirms that this Deed, represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and supersedes any previous agreement between the parties with respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom.

7.5 If any provision or part of this Deed is void or unenforceable due to any applicable law, it shall be deemed to be deleted and the remaining provisions of this Deed shall continue in full force and effect.

7.6 The Grantors shall after exercise of the Options execute all such deeds and documents and do all such things as the Grantee may reasonably require for perfecting the transactions intended to be effected under or pursuant to this Deed and for giving the Grantee the full benefit of the provisions of this Deed, including vesting in the Grantee the legal and beneficial title to the Option Shares.

7.7 The rights and remedies of the parties shall not be affected by the giving of any indulgence by any other party or by anything whatsoever except a specific waiver or release in writing and any such waiver or release shall not prejudice or affect any other rights or remedies of the parties.

7.8 This Deed may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when executed and delivered shall be an original but all the counterparts together constitute one instrument.

7.9 No variation of this Deed (or any of the documents referred to in it) shall be valid unless it is in writing (which, for this purpose, does not include e-mail) and signed by or on behalf of each of the parties to this Deed.
7.10 The parties shall pay their own costs in connection with the preparation and negotiation of this Deed and any matter contemplated by it (including but not limited to their respective stamp duty, SFC transaction levy and Stock Exchange trading fee, if any).

7.11 No delay or failure by a party to exercise or enforce (in whole or in part) any right provided by this Deed or by law shall operate as a release or waiver, or in any way limit that party's ability to further exercise or enforce that, or any other, right. A waiver of any breach of any provision of this Deed shall not be effective, or implied, unless that waiver is in writing and is signed by the party against whom that waiver is claimed.

7.12 The parties acknowledge and agree that in the event of a default by any party in the performance of their respective obligations under this Deed, the non-defaulting parties shall have the right to obtain specific performance of the defaulting party's obligations. Such remedy to be in addition to any other remedies provided under this Deed or at law.

8. NOTICES

8.1 A notice (including any approval, consent or other communication) in connection with this Deed and the documents referred to in it:

8.1.1 must be in writing;

8.1.2 must be left at the address of the addressee or sent by pre-paid first class post (airmail if posted to or from a place outside Hong Kong) to the address of the addressee or sent by facsimile to the facsimile number of the addressee in each case which is specified in this Clause in relation to the party to whom the notice is addressed, and marked for the attention of the person so specified, or to such other address or facsimile number in Hong Kong and/or marked for the attention of such other person, as the relevant party may from time to time specify by notice given in accordance with this Clause.

8.1.3 The relevant details of each party at the date of this Deed are:

**Grantors**

[* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14b2 of the Securities Exchange Act of 1934, as amended.]*

**Grantee**

Address: c/o 22nd Floor, Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong

Fax: (852) 2552 5925

Attention: Legal Department

8.1.4 for the avoidance of doubt, must not be sent by electronic mail.

8.2 In the absence of evidence of earlier receipt, any notice shall take effect from the time that it is deemed to be received in accordance with Clause 8.3 below.

8.3 Subject to Clause 8.4 below, a notice is deemed to be received:

8.3.1 in the case of a notice left at the address of the addressee, upon delivery at that address;
8.3.2 in the case of a posted letter, on the third day after posting or, if posted to or from a place outside Hong Kong, the seventh day after posting; and

8.3.3 in the case of a facsimile, on production of a transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient.

8.4 A notice received or deemed to be received in accordance with Clause 8.3 above on a day which is not a Business Day or after 5 p.m. on any Business Day, according to local time in the place of receipt, shall be deemed to be received on the next following Business Day.

8.5 A notice given or document supplied to [*Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.*] in accordance with the details specified for the Grantors above shall be deemed to have been given or supplied to all the Grantors to whom such notice is addressed.

8.6 Each party undertakes to notify the other parties by notice served in accordance with this Clause if the address specified herein is no longer an appropriate address for the service of notices.

9. **GOVERNING LAW**

9.1 This Deed shall be governed by, and construed in accordance with, Hong Kong law.

9.2 Each party irrevocably agrees for the benefit of the Grantee that the Courts of Hong Kong shall have non-exclusive jurisdiction in relation to any claim, dispute or difference concerning this Deed and any matter arising therefrom.

9.3 Each party irrevocably waives any right that it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

9.4 The submission to the jurisdiction of the Courts of Hong Kong shall not (and shall not be construed so as to) limit the right of the Grantee to bring legal proceedings in any other court of competent jurisdiction including without limitation the courts having jurisdiction by reason of the Grantee's domicile. Legal proceedings by the Grantee in any one or more jurisdictions shall not preclude legal proceedings by it in any other jurisdiction, whether by way of substantive action, ancillary relief, enforcement or otherwise.

9.5 The Grantee hereby appoints Publishers Representatives Limited, with correspondence address at c/o 22nd Floor, Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong (Attention: Legal Department), as its agent to accept service of legal process on its behalf. The Grantee hereby irrevocably agrees that if its process agent ceases to have an address in Hong Kong or ceases to act as its process agent, it shall appoint a new process agent acceptable to the other Parties and will deliver to each of the other parties to this Agreement within 14 days a copy of written acceptance of appointment by the new process agent.

9.6 Each Grantor hereby irrevocably appoints [*Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.*] as its/her/his agent to accept service of legal process on its/her/his behalf. Each Grantor irrevocably agrees that if its/her/his process agent ceases to have an address in Hong Kong or ceases to act as its/her/his process agent, it/she/he shall appoint a new process agent acceptable to the other Parties and will deliver each of the other parties to this Deed within 14 days a copy of written acceptance of appointment by the new process agent.

9.7 Subject to Clauses 9.5 and 9.6, each party agrees that without preventing any other mode of service, any document in an action (including, but not limited to, any writ of summons or other originating
process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under Clause 8 and each party undertakes to maintain such an address at all times in Hong Kong and to notify the other party in advance of any change from time to time of the details of such address in accordance with the manner prescribed for service of notices under Clause 8.

IN WITNESS of which the parties have executed this document as a Deed on the date first mentioned above.
EXECUTION PAGE

[* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]

SIGNED SEALED and DELIVERED by

郭凡生 GUO FANSHENG

[SEALEd with the Common Seal of ]

and SIGNED by

for and on behalf of

IDG TECHNOLOGY VENTURE INVESTMENT, INC.

in the presence of:

[SEALEd with the Common Seal of ]

and SIGNED by

for and on behalf of

TRADE MEDIA HOLDINGS LIMITED

in the presence of:
……24th May. 2006

HC CONSTRUCTION CO., LTD

and

TRADE MEDIA HOLDINGS LIMITED


CALL OPTION DEED

RELATING TO

EQUITY INTERESTS IN

北京慧聪国际资讯有限公司

BEIJING HUICONG INTERNATIONAL INFORMATION CO., LTD.)

Herbert Smith LLP
THIS DEED is made on 24th May 2006

BETWEEN

1. 北京慧聪建设信息咨询有限公司(HUICONG CONSTRUCTION CO., LTD), a limited liability company incorporated in the People's Republic of China (“China” or the “PRC”) and having its registered address at No.9 Chaoqian Road Science Park Changping District, Beijing (the “Grantor”); and
2. TRADE MEDIA HOLDINGS LIMITED, a company incorporated in the Cayman Islands and having its registered address at P.O. Box 219 GT, Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands (the “Grantee”).

WHEREAS

(A) Reference is made to the sale and purchase agreement in relation to the shares of HC International, Inc. (“HC International”) dated the same date of this Deed made between IDG Technology Venture Investment, Inc. and the Grantee (the “Sale and Purchase Agreement”).

(A) As at the date of this Deed, the Grantor is the registered owner of 18% of the equity interest in the entire registered capital of the Company.

(B) In consideration of the Grantee agreeing to enter into the Sale and Purchase Agreement, the Grantor has agreed to grant an option over the Beijing Huicong Option Equity Interests (as defined below) to the Grantee on the terms and conditions set out in this Deed.

(C) Hong Kong Huicong International Group Limited (“HKHC”), which is the registered owner of 82% of the equity interest of the entire registered capital of the Company, has given its consent in relation to the sale of the Beijing Huicong Option Equity Interests by the Grantor required under the Joint Venture Contract (as defined below) and/or the Articles of Association (as defined below) or otherwise upon the exercise of the Option by the Grantee hereunder and has undertaken to the Grantee that it will enter into such amendment contract to the Joint Venture Contract and/or the Articles of Association as shall be appropriate and necessary to reflect the change in the investors of the Company as a result of the transfer of the Beijing Huicong Option Equity Interests, in each case on or before Completion. A copy of such letter signed by HKHC (“HKHC Letter”) is attached as Appendix “A”.

IT IS HEREBY AGREED:

1. INTERPRETATION

1.1 In this Deed, unless the context requires otherwise, terms used herein shall have the same meaning as those used in the Sale and Purchase Agreement save that:

“Accounts” means the latest audited consolidated balance sheet and profits and loss account of the Company and its subsidiaries in respect of the accounting reference period ended on the Accounts Date;

“Accounts Date” means 31 December 2005;

“Articles of Association” means the articles of association of the Company as amended and supplemented from time to time;
“Beijing Huicong Option Equity Interests” means the entire equity interest of the Grantor in the registered capital of the Company (representing 18% of the entire registered capital of the Company) and any Equity Interests for the time being representing the same by reason of any alteration in the registered capital of the Company or any amalgamation, reorganisation or reconstruction of the Company, provided that the Beijing Huicong Option Equity Interests shall represent not less than 18% of the total Equity Interests as at Completion;

“Business Day” means a day (other than a Saturday or Sunday) on which banks in Hong Kong and China are generally open for business;

“Company” means 北京慧聪国际资讯有限公司 (Beijing Huicong International Information Co., Ltd.), a sino-foreign cooperative joint venture company incorporated in the PRC;

“Completion” means completion of the sale and purchase of the Beijing Huicong Option Equity Interests upon the exercise of the Option in accordance with clause 5.2;

“Equity Interests” means equity interests in the registered capital of the Company;

“Exercise Notice” means a notice to exercise the Option in the form set out in Schedule 1;

“Exercise Price” means HK$248,944,924 for the entire Beijing Huicong Option Equity Interests and the ICP Licence and all other licences, contracts and business undertakings referred to in Clause 2.1.2 which shall be payable in cash;

“HC International” means HC International, Inc., a company incorporated in the Cayman Islands;

“HC Options” means the options granted by various grantors, being existing shareholders of HC International, to the Grantee in relation to a certain percentage of the equity interests in HC International in accordance with an option deed entered into between the grantors and the Grantee dated the same date as this Deed;

“HC Options Deed” means the option deed entered into by various grantors and the Grantee dated the same date of this Deed in relation to the HC Options;

“ICP Licence” means the licence held by the Grantor to provide internet information services and/or content in the PRC;

“Joint Venture Contract” means the joint venture contract entered into between HKHC and the Grantor in relation to the establishment of the Company as amended from time to time;

“Option” means the option granted by the Grantor to the Grantee whereby the Grantee has the right to require the Grantor to sell or to procure the sale of the Beijing Huicong Option Equity Interests pursuant to the terms of this Deed;

“Option Period” means the period commencing on the date of completion of the
Sale and Purchase Agreement and ending on the expiry of the 12-month period from the date of the completion of the Sale and Purchase Agreement;

“PRC Approval Authority” means the Beijing Municipal Commerce Bureau (previously known as the Beijing Municipal Commission of Foreign Trade and Economic Commission) which approved the formation of the Company;

“Shares” means ordinary shares of HK$0.10 each in the share capital of HC International;

“Taxation” means all forms of tax, duty, levy, charge or other imposition or withholding whenever and by whatever authority, and whether of the PRC or elsewhere, including (without limitation) profits tax, provisional profits tax, salaries tax, provisional salaries tax, property tax, provisional property tax, interest tax, estate duty, customs and other import duties, excise duties, rates, stamp duty, capital duty, fees payable on any increase of the authorised or issued share capital of a company or on the allotment of any shares in a company, and any other taxes, duties, rates, levies, charges, imposts or withholdings corresponding to, similar to, replaced by or replacing any of them together with any interest, penalty, fine or additional sum in connection with any Taxation, and any liability to make a payment by way of reimbursement, recharge, indemnity, damages or management charge connected in any way with any Taxation and regardless of whether any such taxes, duties, rates, levies, charges, imposts, withholdings, interest, penalties or fines are chargeable directly or primarily against or attributable directly or primarily to the Company, any of the Subsidiaries or any other person, whether any amount in respect of any of them is recoverable from any other person and “Tax” shall be construed accordingly.

1.1 In this Deed, save where the context otherwise requires:

1.1.1 a reference to a statute or statutory provision shall include a reference to that statute or provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision; to any repealed statute or statutory provision which it re-enacts (with or without modification); and any subordinate legislation made under the relevant statute;

1.1.2 words in the singular shall include the plural, and vice versa;

1.1.3 the masculine gender shall include the feminine and neutral and vice versa;

1.1.4 a reference to a person shall include a reference to a firm, a body corporate, an unincorporated association or to a person's executors or administrators;

1.1.5 a reference to a clause, paragraph, Schedule or Appendix (other than to a schedule to a statutory provision) shall be a reference to a clause, paragraph, Schedule or Appendix (as the case may be) of or to this Deed;

1.1.6 if a period of time is specified and commences from a given day or the day of an act or event, it shall be calculated exclusive of that day;
1.1.7 references to any legal term for any action, remedy, method or judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than Hong Kong be deemed to include what most nearly approximates in that jurisdiction to the Hong Kong legal term;

1.1.8 references to writing shall include any modes of reproducing words in a legible and non-transitory form;

1.1.9 the headings in this Deed are for convenience only and shall not affect the interpretation of any provision of this Deed; and

1.2 The designations adopted in the recitals and introductory statements preceding this clause apply throughout this Deed and the Schedules.

1.3 Where any obligation in this Deed is expressed to be made, undertaken or given by two or more parties, they shall be jointly and severally liable in respect of it.

1.4 Where any reference to “Completion” is made in this Deed, such reference shall be construed as “Completion in relation to each exercise of the Option(s)”.

2. GRANT OF THE OPTION

2.1 In consideration of the Grantee agreeing to enter into and, subject to the completion of the Sale and Purchase Agreement in accordance with its terms,

2.1.1 the Grantor hereby grants to the Grantee an irrevocable and, subject to the terms of this Deed, an unconditional right to (i) purchase from the Grantor all (but not part only) of the Beijing Huicong Option Equity Interests or (ii) to nominate a subsidiary of the Grantee which would be an entity established under the laws of the PRC (if required under the laws of the PRC) (the “Designated Subsidiary”) to purchase the Beijing Huicong Option Equity Interests at the Exercise Price (subject to adjustment in clauses 2.4) at any time during the Option Period;

2.1.2 conditional upon the exercise of the Option in accordance with this Deed, and subject to Completion, the Grantor hereby further grants to the Grantee an irrevocable and unconditional right to require the Grantor to transfer or assign to the extent permitted by applicable PRC laws to the Grantee or to a company nominated by the Grantee which is established under the laws of the PRC (if this is required under the laws of the PRC) (the “Designated Grantee”) upon or as soon as practicable after Completion:-

(a) the licence held by the Grantor to provide internet information services and/or content in the PRC (the “ICP Licence”); provided, however, that if such transfer is not permissible under applicable laws, then at the Grantee's and Designated Grantee’s request, the Grantor shall render all reasonable cooperation and assistance to the Grantee and the Designated Grantee in connection with the Designated Grantee obtaining its own ICP Licence and/or other relevant business licences required for the Designated Grantee to operate internet information services and/or content in the PRC; and

(b) all other licences and intellectual property owned by the Grantor used solely by HC International, the Company and/or other Subsidiaries of HC International, in connection with their business operations; and

(c) all relevant contracts and business undertakings of the Grantor with HC International, the Company and/or other subsidiaries of HC International, in connection with their business operations which are set out in Schedule 3,
2.1.3 the Grantor irrevocably and unconditionally undertakes not to sell, transfer, dispose of, charge, en-
cumber or otherwise deal with in any way the Beijing Huicong Option Equity Interests (or any in-
terest therein) which are legally and/or beneficially owned by it during the Option Period, save
with the prior written consent of the Grantee.

2.2 The Grantor agrees that, in the event the Grantee makes a general offer to the shareholders of HC
International under the Takeovers Code made pursuant to Clause 2.1.2 of the HC Options Deed during the
Option Period and if the general offer does not become unconditional or lapses, the Grantee shall have no
obligation to purchase any of the Beijing Huicong Option Equity Interests.

2.3 Subject to the terms and conditions of this Deed, the Grantor shall, on exercise of the Option, sell or
procure the sale of the Beijing Huicong Option Equity Interests and the Grantee or the Designated
Subsidiary (as the case may be) shall purchase the Beijing Huicong Option Equity Interests, free from any
claim, option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights of
whatsoever nature and with all rights attached or accruing thereto on and after date of such exercise.

2.4 All rights (save for the voting rights) attached to the Beijing Huicong Option Equity Interests shall accrue to
the Grantee on and from the date of service of an Exercise Notice on the Grantor and, following the
Completion, the Grantor shall account to the Grantee for all dividends or other distributions of the
Company declared or paid subsequent to the date of service of the Exercise Notice and shall exercise all
driving and other rights at the direction of the Grantee.

2.5 The Grantor shall use reasonable endeavours to procure that, until the exercise or expiry of the Option, the
Company shall not, save pursuant to any outstanding undertaking, options granted or given by the Company
on the date of this Deed, make any alteration in its registered capital.

2.6 The Grantor waives and agrees to procure the waiver of any restrictions on transfer (including pre-emption
rights) which may exist in relation to the Beijing Huicong Option Equity Interests under the Joint Venture
Contract, the Articles of Association or otherwise.

2.7 The Grantee shall not be obliged to complete the purchase of the Beijing Huicong Option Equity Interests
unless the Grantor completes the sale of the Beijing Huicong Option Equity Interests set out in any Exercise
Notice simultaneously.

2.8 The Option shall lapse and cease to have any effect if the HC Options lapse in accordance with the HC
Options Deed.

3. EXERCISE OF THE OPTION

3.1 Subject to Clause 4.4 of the HC Options Deed, the exercise of the Option is conditional upon:

(a) the Grantee exercising the HC Options; or

(b) the Grantee exercising its right under Clause 2.1.2 of the HC Options Deed.

3.2 An Exercise Notice may be given by the Grantee at any time during the Option Period in respect of all (but
not part only) of the Beijing Huicong Option Equity Interests.

3.3 At any time after the completion of the Sale and Purchase Agreement and prior to the giving of the Exercise
Notice, the Grantee (and any person authorised by it) shall be entitled to conduct such enquiries,
investigations and due diligence reviews of the business, affairs, operations and financial position of the
Company as the Grantee in its absolute discretion deems necessary, desirable or appropriate and the
Grantor shall use its reasonable endeavours to, subject to Clause 6.1 hereof and the Grantee executing a
confidentiality undertaking in favour of the Company (if required by the Company) on substantially the
same terms set out in Clause 6.1, procure that the Grantee and any persons authorised by it shall on giving
reasonable prior notice and during normal office hours be given full access to the employees, premises, plant, machinery, books of account, records and documents of the Company and each of its subsidiaries as the Grantee may reasonably request.

3.4 The Grantee has the right, but not the obligation, to give the Exercise Notice and/or to complete the sale and purchase of the Beijing Huicong Option Equity Interests.

3.5 After the giving of any Exercise Notice,

3.5.1 the Grantee and the Grantor shall enter into a formal equity transfer agreement in substantially the form as set out in Schedule 4 on or before Completion;

3.5.2 the Grantor shall procure HKHC to enter into agreements with the Designated Subsidiary and/or the Grantee (as the case may be) to make such amendments to the Joint Venture Contract and the Articles of Association as shall be appropriate and necessary to reflect the change in the investors of the Company as a result of the transfer of the Beijing Huicong Option Equity Interests, in each case on or before Completion.

3.6 After the giving of any Exercise Notice by the Grantor, the Grantor shall procure the directors of the Company to approve the transfer of the relevant Beijing Huicong Option Equity Interests.

4. **WARRANTIES AND UNDERTAKINGS**

4.1 The Grantor warrants and represents to the Grantee in the terms of the Warranties set out in Schedule 2.

4.2 The Grantor shall procure that the Warranties (save for the Warranties in paragraphs 5 and 6.1 of Schedule 2, which relate only to the date of this Deed) are true and accurate at all times up to and including Completion by reference to the facts and circumstances then subsisting and, for this purpose, such Warranties shall be deemed to be repeated at all times up to and including Completion as if any express or implied reference therein to the date of this Deed shall be replaced by a reference to the time at which such Warranty is deemed to be repeated.

4.3 The Grantee shall be entitled to claim both before and after Completion that any of the Warranties is or was untrue or misleading or has or had been breached even if the Grantee discovered or could have discovered on or before entering into this Deed and before Completion that the Warranty in question was untrue or misleading or had been breached and Completion shall not in any way constitute a waiver of any of the Grantee's rights.

4.4 The Grantee shall not, prior to the exercise or expiry of the Option Period and (if appropriate) Completion, transfer, dispose of, charge, pledge or encumber in any way its interests in any of the Beijing Huicong Option Equity Interests.

4.5 The Grantor shall use all reasonable endeavours to procure that until the exercise or expiry of the Option and (if appropriate) Completion and save with the prior consent of the Grantee (which consent shall not be unreasonably withheld or delayed):

(A) no alterations will be made to the Joint Venture Contract and Articles of Association and no regulations or resolutions inconsistent with them will be adopted;

(B) the Company will not make any substantial change in the nature of its business, which shall continue to be carried on in the ordinary course;

(C) the Company will not enter into any transaction that is not in the normal and ordinary course of conducting its business nor enter into any transaction which is not on arm's length terms; and
The Grantor undertakes to the Grantee that:

4.6.1 Subject to Clause 4.6.2, it shall at any time before the ICP Licence, all other licences and contracts and business undertakings of the Grantor with HC International are transferred to the Grantee or to the Designated Grantee in accordance with Clause 2.1.2 offer to continue to provide internet information services, content services and other services to the Company in the same manner and on the same terms as carried on as at the date of this Deed;

4.6.2 [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]

4.6.3 [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.]

4.7 The Grantor undertakes to indemnify and keep indemnified at any time and from time to time the Grantee on demand from and against all claims, liabilities, losses, costs and expenses which the Grantee may suffer or incur or which may be made against the Grantee either before or after Completion in respect of any breach of any of the warranties, undertakings or indemnities in this clause 4.

4.8 The total liability of the Grantor under this Deed shall not exceed the aggregate Exercise Price for the Beijing Huicong Option Equity Interests to be received by the Grantor.

4.9 The Grantor shall have no liability under this Deed:

4.9.1 unless, in the case of any particular claim, the amount thereof shall exceed HK$1,000,000; or

4.9.2 until the aggregate amount of all valid claims which could otherwise be made under this Deed shall exceed HK$3,000,000,

at which time all such valid claims shall become payable.

4.10 The liability of the Grantor to the Grantee hereunder shall:

4.10.1 in relation to any of the Warranties on Taxation, cease upon expiry of 7 years from the date of Completion; and

4.10.2 in relation to any of the other Warranties or other indemnities, cease upon the earlier of the expiry of 2 years from the date of Completion.

5. COMPLETION

5.1 Completion of the sale and purchase of the Beijing Huicong Option Equity Interests is conditional upon:

5.1.1 the obtaining of the approval of the PRC Approval Authority in relation to the change in ownership of the Beijing Huicong Option Equity Interests pursuant to the exercise of the option and the transactions set out in Clause 2.1.2 by the Grantor, including the obtaining an amended “Foreign Investment Enterprises Approval Certificate” by the PRC Approval Authority in respect of the transfer of the relevant Beijing Huicong Option Equity Interests (“Approval Certificate”); and
5.1.2 The sale and purchase of the Shares under the HC Options Deed, whether by way of exercising the HC Options or by exercising the right under clause 2.1.2 of the HC Options Deed, becoming unconditional (excluding any condition relating to the sale and purchase of the Beijing Huicong Option Equity Interests under this Deed).

5.2 Subject to clause 4.4 of the HC Options Deed, completion shall take place simultaneously with the completion of the sale and purchase of the Shares under the HC Options Deed at such time (within 30 days after the sale and purchase of the Shares under the HC Options Deed becomes unconditional or 5 Business Days after the condition in 5.1.1 above has been fulfilled, whichever is the later) and at such place in Hong Kong as may be specified in the Exercise Notice or otherwise notified by the Grantee.

5.3 At Completion of the exercise of the Option, the following business shall be transacted:

5.3.1 The Grantor shall deliver or cause to be delivered to the Grantee (or as the Grantee may direct) certified true copies of (1) the Approval Certificate; and (2) documentary evidence that the Company has completed the necessary formalities for registration of change of investors in the Company with the relevant PRC authorities (including and without limitation to the business registration, tax, foreign exchange and finance, etc. authorities); and

5.3.2 The Grantee shall pay to the Grantor by electronic funds transfer to the Grantor’s bank account (as notified to the Grantee prior to such payment) an amount equal to the aggregate Exercise Price for such Beijing Huicong Option Equity Interests.

5.4 The Grantor shall use its all reasonable endeavours to obtain the Approval Certificate.

6. GENERAL

6.1 Each party (including their representatives and authorised persons) shall, and the Grantor shall use its reasonable endeavours to procure that the Company shall, at all times keep confidential and not directly or indirectly make or allow any disclosure or use to be made of any information in its possession or otherwise obtained pursuant to this Deed relating to any other party, the Company and each of its subsidiaries or to the existence or subject matter of this Deed, except:

6.1.1 to the extent required by law or any regulatory body;

6.1.2 where the information is already disclosed in the public domain otherwise than pursuant to or arising from a breach by the Grantor or the Grantee (including their representatives and authorised persons) on its confidentiality undertaking under this Clause; or

6.1.3 with the consent of the other party (which consent shall not be unreasonably withheld).

6.2 Any announcement or circular required to be made or issued by law or any regulatory body (including the SFC and the Stock Exchange) shall only be made or issued after consultation with the other parties and after taking into account the reasonable requirements of the other parties as to the contents of such announcement or circular. No party may assign (whether absolutely or by way of security and whether in whole or in part), transfer, mortgage, charge or otherwise dispose in any manner whatsoever of the benefit of this Deed and no party may sub-contract or delegate in any manner whatsoever its performance under this Deed except with the prior written consent of the other parties.

6.3 In the event of an assignment pursuant to clause 6.2, the original contracting party remains liable to procure the performance of the obligations under the agreement by the assignee.

6.4 Each of the parties confirms that this Deed, represents the entire understanding, and constitutes the whole agreement, in relation to its subject matter and supersedes any previous agreement between the parties with
respect thereto and, without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom.

6.5 If any provision or part of this Deed is void or unenforceable due to any applicable law, it shall be deemed to be deleted and the remaining provisions of this Deed shall continue in full force and effect.

6.6 The Grantor shall after exercise of the Option execute all such deeds and documents and do all such things as the Grantee may reasonably require for perfecting the transactions intended to be effected under or pursuant to this Deed and for giving the Grantee the full benefit of the provisions of this Deed, including vesting in the Grantee the legal and beneficial title to the Beijing Huicong Option Equity Interests.

6.7 The rights and remedies of the parties shall not be affected by the giving of any indulgence by any other party or by anything whatsoever except a specific waiver or release in writing and any such waiver or release shall not prejudice or affect any other rights or remedies of the parties.

6.8 This Deed may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which when executed and delivered shall be an original but all the counterparts together constitute one instrument.

6.9 No variation of this Deed (or any of the documents referred to in it) shall be valid unless it is in writing (which, for this purpose, does not include e-mail) and signed by or on behalf of each of the parties to this Deed.

6.10 The parties shall pay their own costs in connection with the preparation and negotiation of this Deed and any matter contemplated by it (including but not limited to their respective stamp duty, if any).

6.11 The parties shall pay their own taxes in connection with the execution and performance of this Deed in accordance with the applicable tax laws and regulations.

6.12 No delay or failure by a party to exercise or enforce (in whole or in part) any right provided by this Deed or by law shall operate as a release or waiver, or in any way limit that party's ability to further exercise or enforce that, or any other, right. A waiver of any breach of any provision of this Deed shall not be effective, or implied, unless that waiver is in writing and is signed by the party against whom that waiver is claimed.

6.13 The parties acknowledge and agree that in the event of a default by any party in the performance of their respective obligations under this Deed, the non-defaulting parties shall have the right to obtain specific performance of the defaulting party's obligations. Such remedy to be in addition to any other remedies provided under this Deed or at law.

7. NOTICES

7.1 A notice (including any approval, consent or other communication) in connection with this Deed and the documents referred to in it:

7.1.1 must be in writing;

7.1.2 must be left at the address of the addressee or sent by pre-paid first class post (airmail if posted to or from a place outside Hong Kong) to the address of the addressee or sent by facsimile to the facsimile number of the addressee in each case which is specified in this clause in relation to the party to whom the notice is addressed, and marked for the attention of the person so specified, or to such other address or facsimile number and/or marked for the attention of such other person, as the relevant party may from time to time specify by notice given in accordance with this clause.

7.1.3 The relevant details of each party at the date of this Deed are:
Grantor

[* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14b2 of the Securities Exchange Act of 1934, as amended.]

Grantee

Address: c/o 22nd Floor, Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong
Facsimile: (852) 2552 5925
Attention: Legal Department

7.1.4 for the avoidance of doubt, must not be sent by electronic mail.

7.2 In the absence of evidence of earlier receipt, any notice shall take effect from the time that it is deemed to be received in accordance with clause 7.3 below.

7.3 Subject to clause 7.4 below, a notice is deemed to be received:

7.3.1 in the case of a notice left at the address of the addressee, upon delivery at that address;
7.3.2 in the case of a posted letter, on the third day after posting or, if posted to or from a place outside Hong Kong, the seventh day after posting; and
7.3.3 in the case of a facsimile, on production of a transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient.

7.4 A notice received or deemed to be received in accordance with clause 7.3 above on a day which is not a Business Day or after 5 p.m. on any Business Day, according to local time in the place of receipt, shall be deemed to be received on the next following Business Day.

7.5 Each party undertakes to notify the other parties by notice served in accordance with this clause if the address specified herein is no longer an appropriate address for the service of notices.

8. GOVERNING LAW

8.1 This Deed shall be governed by, and construed in accordance with, Hong Kong law.

8.2 Each party irrevocably agrees for the benefit of the Grantee that the Courts of Hong Kong shall have non-exclusive jurisdiction in relation to any claim, dispute or difference concerning this Deed and any matter arising therefrom.

8.3 Each party irrevocably waives any right that it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

8.4 The submission to the jurisdiction of the Courts of Hong Kong shall not (and shall not be construed so as to) limit the right of the Grantee to bring legal proceedings in any other court of competent jurisdiction including without limitation the courts having jurisdiction by reason of the Grantee's domicile. Legal proceedings by the Grantee in any one or more jurisdictions shall not preclude legal proceedings by it in any other jurisdiction, whether by way of substantive action, ancillary relief, enforcement or otherwise.
8.5 The Grantee hereby appoints Publishers Representatives Limited, with correspondence address at 22nd Floor, Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong (Attention: Legal Department), as its agent to accept service of legal process on its behalf. The Grantee hereby irrevocably agrees that if its process agent ceases to have an address in Hong Kong or ceases to act as its process agent, it shall appoint a new process agent acceptable to the Grantor and will deliver to the Grantor within 14 days a copy of written acceptance of appointment by the new process agent.

8.6 The Grantor hereby irrevocably appoints [* Material omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 14-b2 of the Securities Exchange Act of 1934, as amended.] as its agent to accept service of legal process on its behalf. The Grantor irrevocably agrees that if its process agent ceases to have an address in Hong Kong or ceases to act as its process agent, it shall appoint a new process agent acceptable to the Grantee and will deliver to the other party to this Deed within 14 days a copy of written acceptance of appointment by the new process agent.

8.7 Subject to clauses 8.5 and 8.6, each party agrees that without preventing any other mode of service, any document in an action (including, but not limited to, any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under clause 7 and each party undertakes to maintain such an address at all times in Hong Kong and to notify the other party in advance of any change from time to time of the details of such address in accordance with the manner prescribed for service of notices under clause 7.

IN WITNESS of which the parties have executed this document as a Deed on the date first mentioned above.
SEALED with the Company Chop of
北京慧聪建设信息咨询有限公司
(HUICONG CONSTRUCTION CO., LTD)

and SIGNED by
for and on behalf of
in the presence of:

SEALED with the Common Seal of
TRADE MEDIA HOLDINGS LIMITED

and SIGNED by
for and on behalf of
in the presence of:
## SUBSIDIARIES OF GLOBAL SOURCES LTD.

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<thead>
<tr>
<th>Name</th>
<th>Jurisdiction of Organization</th>
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<td>Global Sources Research Foundation Limited</td>
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<td>Trade Point Hong Kong Limited</td>
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I, Merle A. Hinrichs, certify that:

1. I have reviewed this annual report on Form 20-F of Global Sources Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such an evaluation; and

   (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: June 12, 2006

/s/ Merle A. Hinrichs
Merle A. Hinrichs,
Director, Chairman and Chief Executive Officer
I, Eddie Heng, certify that:

1. I have reviewed this annual report on Form 20-F of Global Sources Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such an evaluation; and

   (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: June 12, 2006

/s/ Eddie Heng
Eddie Heng,
Director and Chief Financial Officer
Certification
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chapter 63, Title 18 U.S.C. §§ 1350(a) and (b)), the undersigned hereby certifies in his capacity as an officer of Global Sources Ltd. (the “Company”) that the Annual Report of the Company on Form 20-F for the year ended December 31, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the end of and for the periods covered by such Report.

Dated: June 12, 2006

/s/ Merle A. Hinrichs
Merle A. Hinrichs
Director, Chairman and Chief Executive Officer

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

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO GLOBAL SOURCES LTD. AND WILL BE RETAINED BY GLOBAL SOURCES. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chapter 63, Title 18 U.S.C. §§ 1350(a) and (b)), the undersigned hereby certifies in his capacity as an officer of Global Sources Ltd. (the “Company”) that the Annual Report of the Company on Form 20-F for the year ended December 31, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the end of and for the periods covered by such Report.

Dated: June 12, 2006

/s/ Eddie Heng
Eddie Heng
Director and Chief Financial Officer

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

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

We consent to the incorporation by reference in the Registration Statement (Form S-8) No. 333-104426 and 333-59058 pertaining to Global Sources Equity Compensation Plans Numbers I, II, III, IV, V, VI and VII of Global Sources Ltd and in the Registration Statement (Form F-3/A) No. 333-114411 pertaining to the prospectus of Global Sources Ltd. of our report dated March 21, 2006, with respect to the consolidated financial statements of Global Sources Ltd. and its subsidiaries included in the Annual Report (Form 20-F) for the year ended December 31, 2005.

/s/ ERNST & YOUNG
Singapore
June 6, 2006