GLOBAL SOURCES LTD /BERMUDA
Form 20-F/A
May 10, 2001

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

FORM 20-F/A

(Mark One)
[ ] Registration Statement Pursuant To Section 12(b) or (g) of the Securities Exchange Act of 1934

OR

[X] Annual Report Pursuant To Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the year ended December 31, 2000.

OR

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

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

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

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

Bermuda
(Jurisdiction of incorporation or organization)

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

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

Title of Each Class	Name of Each Exchange on which registered
Common Shares, $0.01 Par Value	NASDAQ National Market

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

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

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

26,303,949 common shares, $0.01 par value, outstanding as of February 28, 2001.

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 which financial statement item the registrant has elected to follow.

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

If on or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this 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.

All references in this Annual Report on Form 20-F to the terms "we," "our," "us," the "Company," "Trade Media" and "Global Sources" refer to Global Sources Ltd. and its subsidiaries. All references to " fiscal" in connection with a year shall mean the 12 months ended December 31.

PART I

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

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

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

ITEM 3. KEY INFORMATION

Selected Financial Data

The following historical financial information should be read in conjunction with our audited consolidated financial statements and related notes all of which are included elsewhere in this document and "Operating and Financial Review and Prospects." The consolidated statements of income data for each of the three years ended December 31, 1998, 1999, and 2000 and selected consolidated balance sheet data as of December 31, 1999 and 2000 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this document. The consolidated statements of income data for each of the years ended December 31, 1996 and 1997 and selected consolidated balance sheet data as of December 31, 1996, 1997 and 1998 are derived from our audited financial statements not included in this document.

	Year Ended December 31,			
	1996	1997	1998	1999
Income Statement Data:				
Revenue:				
Online marketplace services..................	$2,507	$5,177	$14,602	$25,79
Transaction software and services............	889	1,076	1,228	58
Complementary media services.................	103,126	96,596	76,817	62,11
Other..	4,401	3,532	3,226	3,37
Total revenue..................................	110,923	106,381	95,873	91,87
Operating expenses:				
Sales..	32,167	30,537	29,028	31,08
Circulation..................................	22,295	20,090	15,413	13,06
General and administrative...................	40,268	39,460	35,294	32,13
Online services development..................	1,229	1,366	3,182	3,46
Non-cash compensation(1).....................	--	--	--	-
Other	372	372	379	37
Total operating expenses.......................	96,331	91,825	83,296	80,11
Income/(loss) from operations..................	14,592	14,556	12,577	11,75
Interest expense...............................	(190)	(264)	(336)	(337
Interest income................................	583	646	732	55
Foreign exchange (losses)/gains, net...........	(459)	(4,110)	160	42
Write-down of investments......................	--	--	--	-
Income/(loss) before income taxes..............	14,526	10,828	13,133	12,40
Income tax provision...........................	(1,477)	(1,338)	(1,552)	(1,435
Income/(Loss) before minority interest.........	$13,049	$9,490	$ 11,581	$10,96
Equity in loss of affiliate....................	-	-	-	
Minority interest..............................	-	-	-	
Net income/(loss)..............................	$13,049	$9,490	$11,581	$10,96
Basic and diluted net income per share.........	$0.52	$0.38	$0.46	$0.4
Cash dividends declared per share..............	0.64	0.54	0.80	0.6
Weighted average shares outstanding(2).........	25,051	25,051	25,051	25,05

	December 31			
	1996	1997	1998	1999

Balance Sheet Data:				
Cash and cash equivalents....................	$21,356	$15,943	$15,713	$15,43
Total assets.................................	56,604	49,291	46,960	46,64
Long-term debt, less current portion....	7,525	7,333	5,366	3,54
Stockholders' equity...................	22,115	18,105	9,686	5,71

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1. Reflects the expense resulting primarily from a one time grant of common shares to our chairman and chief executive officer in February 2000. Prior to this grant, our chairman and chief executive officer held none of our common shares. Effective August 30, 2000, the entire grant was accelerated and fully vested.
2. On April 14, 2000, in conjunction with our share exchange, we effectively consummated a 2,505 for 1 stock split. All share and per share amounts have been restated for all periods presented. For a further discussion of our recent share exchange, please see Note 21 of our consolidated financial statements appearing elsewhere in this document.

Risk Factors

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

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

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

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

Our services will be attractive to suppliers only if buyers use our services to identify suppliers and purchase their products. The content, products and suppliers currently available on our websites or made available by suppliers may not be sufficient to attract and retain buyers. Furthermore, because the business-to-business e-commerce market is new, potential customers may be confused or uncertain about the merits of e-commerce services or which e-commerce services to adopt, if any. If buyers and suppliers do not accept our online services, or if we are unable to attract and retain a critical mass of buyers and suppliers for our e-commerce services, our business will suffer and our revenue will not increase.

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

Our success depends on our ability to generate customer acceptance and adoption of our transaction software and services.

Our future success will depend on our ability to enhance our existing transaction software and services and to continue to develop and introduce new software and services that achieve market acceptance. To maintain our competitiveness in a rapidly changing market we must continually improve the performance, features and reli-

ability of our existing products and services or they may become obsolete. We must anticipate the features required by customers and design and implement business-to-business e-commerce software and services that meet these requirements in a timely and efficient manner. We may not be successful in developing and marketing new versions or upgrades of our software quickly and effectively, or in offering new services that respond to technological advances or new market requirements. If we fail to anticipate customer requirements, enhance existing software and services or develop new software and services, we may lose customers or fail to attract new customers, which may limit our growth and revenue.

We may not be successful in pursuing acquisitions, joint ventures and licensing arrangements to expand our business into new geographic and vertical markets.

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

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

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

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

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

The operating results of companies in the e-commerce industry, including us, have experienced quarter-to-quarter fluctuations. Our online traffic on Global Sources Online is generally lower during the summer and year-end vacation and holiday periods. Additionally, our online marketplace services revenue and print advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year as a result of advertising and media buying increases in that quarter. As with other companies in our industry, our expenses are based upon expectations of revenue, and significant costs may be incurred before revenue is generated. If revenue in a quarter falls below the expectations of public market analysts and investors, the price of our common shares may fall.

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

Our strategy is to continue to expand into numerous international markets and is subject to risks, including:

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

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

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

In 2000, we derived approximately 93% 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. At the time of the Asian economic crisis of 1997 and 1998, certain of our contracts were denominated and priced in foreign currencies. The conversion of these contract proceeds into U.S. dollars resulted in losses and is indicative of the foreign exchange risk assumed by us. During the Asian economic crisis, both our sales and revenue declined. If there is future political or economic instability in the Asia-Pacific region, our business may be harmed and our revenues may decrease.

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

One of the obstacles to Internet development in the Asia-Pacific region, from which we are likely to continue to derive the majority of our e-commerce revenue in the future, is the relative weakness of the telecommunications and Internet infrastructure. Telephone line availability and quality in some Asia-Pacific countries is poor. This frustrates users and may contribute to lower than expected adoption of many of our services. This risk is not within the control of our management and may cause usage growth and revenue to fall below expectations. In addition, access fees are high in many Asia-Pacific countries, which also contributes to low usage and may adversely affect our growth and revenue potential.

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

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

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

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

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

We rely on third parties for catalog information, licenses, product delivery and technology products and services. We have no control over the accuracy, timeliness or effectiveness of the information, products and services of these third parties. As a result of third-party actions, we face risks from the failure of our third-party suppliers to provide accurate, complete and current information about themselves and their products in a timely manner and to deliver products to buyers in a satisfactory manner.

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

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

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

We rely on the services of our independent sales force for the sales and marketing of our products and services. We have service agreements with various sales representative outsourcing firms that employ such sales personnel. Generally, either we or the outsourcing firm may terminate the service agreement upon short notice to the other party. We cannot assure you that we will continue to be successful in retaining our sales personnel or in replacing the terminated personnel with equally qualified personnel. Furthermore, if an outsourcing firm terminates its agreement with us, some of our customers with whom the related sales personnel have a direct relationship might terminate their relationship with us.

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

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

termination may reduce the number of suppliers and their products that we are able to offer to buyers, and the number of buyers to which suppliers have access.

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

Our executive officers and key employees are critical to our business. Our executive officers and key personnel may not remain with us and their loss may harm our development of technology, our revenue and cash flows. In particular, the services of our CEO, Merle Hinrichs, 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 may not be able to hire and retain sufficient technical personnel, which may adversely affect implementation of our growth strategy and limit our revenue.

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

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

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

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

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

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

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

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

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

Our business depends on the efficient and uninterrupted operation of our computer and communications hardware systems. Any system interruptions that cause Global Sources Online to be unavailable to Web browsers may reduce the attractiveness of Global Sources Online to advertisers and could materially adversely affect our business, financial condition and operating results. We maintain most of our computer systems in one Web-hosting and internal support facility in Singapore. We do not have redundant facilities or disaster recovery systems for our computer systems. Interruptions could result from natural disasters as well as catastrophic hardware failures, software problems, extended power loss, telecommunications failure and similar events.

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

We may be subject to legal claims relating to the content on Global Sources Online or our other websites, or the downloading and distribution of such content. Claims could involve matters such as defamation, trademark and design infringement, invasion of privacy and copyright infringement. Providers of Internet products and services have been sued in the past, sometimes successfully, based on the content available on their websites. In addition, some of the content provided on Global Sources Online is manually entered from data compiled by other parties, including governmental and commercial sources, and this data may have errors, or we may introduce errors while entering such data. If our content is improperly used or if we supply incorrect information, it could result in liability. Our insurance may not cover claims of this type, or may not provide sufficient coverage, which could harm our business, financial condition 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 use technology and/or content we have developed, our competitive position may be negatively affected.

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

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

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

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

Litigation regarding intellectual property rights is common in the Internet and software industries. Defending against these claims, even if not meritorious, 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 upon their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop noninfringing technology, obtain a license or cease using the applications that contain the infringing technology or content. We may be unable to develop noninfringing technology or content or to obtain a license on commercially reasonable terms, or at all.

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

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

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

The period between our initial contact with a potential customer and the purchase of our products and services is often long and may have delays associated with the lengthy budgeting and approval process of our customers. In the future, this may become more significant given the increasing importance of our transaction software and services, which may be more complex and involve a more lengthy sales process than marketing-related services. Historically our sales cycles for our current client server solutions have generally been approximately six to nine months. Implementations at customer sites have generally taken an additional six to twelve months. These lengthy cycles may have a negative impact on the timing of our revenue and our ability to accurately forecast such revenue. New government regulations may increase our costs of doing business. The laws governing Internet transactions remain largely unsettled. The adoption or modification of laws or regulations relating to the Internet may harm our business by increasing our costs and administrative burdens. It may take years to determine whether and how existing laws apply to the Internet.

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

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

The Quan Gung 1986 Trust, through Hung Lay Si Co. Ltd., its wholly owned subsidiary, beneficially owns approximately 61% of our common shares. Hill Street Trustees Limited, an Island of Jersey limited liability company, is the trustee of the Trust. The shares of Hill Street Trustees Limited are owned by partners of the Mourant Group, which is a firm based in the Island of Jersey that provides trust administration services. Counsel to the trustee has informed us that, by virtue of the terms of the Trust and the laws of the Island of Jersey, the trustee cannot make disclosure of the names of the beneficiaries and settlor of the Trust in breach of the obligations placed on it and in accordance with its duties of confidentiality. Accordingly, you may never know the identity of the beneficiaries or settlor of the Quan Gung 1986 Trust.

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 a result of this offering, all 26,303,949 of our common shares will be registered and trading in the public market, but we cannot be sure that an active trading market will develop or be sustained or that you will be able to sell common shares when you want to. As a result, it may be difficult to make purchases or sales of our common shares in the market at any particular time or in any significant quantity. If our shareholders sell substantial amounts of our common shares in the public market, the market price of our common shares may fall. In addition, such sales may create the perception by the public of difficulties or problems with our products and services. As a result, these sales may make it more difficult for us to sell equity or equity related securities in the future at a time of price that is appropriate.

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

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

- variations in our quarterly financial and other operating results;

- changes in public market analysts' estimates of our financial performance;

- changes in market valuations of similar companies;

- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

- additions or departures of key personnel; and

- fluctuations in trading volume.

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

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

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

This document contains forward-looking statements which may differ from actual events.

The words "believes," "should be," "anticipates," "plans," "expects," "intends" and "estimates," and similar expressions, identify forward-looking statements. These forward-looking statements are contained principally under the headings "Key Information," "Information on the Company," and "Operating and Financial Review and Prospects". Although we believe these forward-looking statements are based on reasonable assumptions, these

may not prove to be correct. Because these forward-looking statements are also subject to risks and uncertainties, actual results may differ materially from the expectations expressed by such forward-looking statements. Important factors that may cause actual results to differ materially from the expectations reflected in the forward-looking statements include those set forth above, as well as:

- general economic, business and market conditions;
- customer acceptance of new products; and
- the occurrence or non-occurrence of circumstances beyond our control.

ITEM 4. INFORMATION ON THE COMPANY

History And Development Of The Company

We are a leading enabler of online global merchandise trade. Our business began in 1971 in Hong Kong when we launched Asian Sources, a magazine to serve global buyers importing products in volume from Asia. Realizing the importance of e-commerce, we commercially released the first version of Global Sources Transact, our proprietary trade management software to facilitate international transactions in 1991. We then became one of the first business-to-business online marketplaces by launching Asian Sources Online in 1995. At that time, we began repositioning our trade magazines to play a supportive, educational and promotional role to accelerate the shift of our customers to our e-commerce services. In 1999, we expanded our scope to include global suppliers and changed the name of our online marketplace to Global Sources Online.

Our online marketplace services allow international buyers to identify suppliers and products, and enable suppliers to market their products to a large number of buyers. Our primary service is creating and maintaining Marketing Websites that present suppliers' product and company information in a consistent, easily searchable manner on Global Sources Online. We also offer cataloguing services for buyers and suppliers. Private Buyer Catalogs enable buyers to maintain customized information from current and potential suppliers. Private Supplier Catalogs are password-protected online environments where suppliers can develop and maintain their own product and company data. Complementing these services are Global Sources Transact software that facilitates and automates international trade transactions, and various trade magazines and CD-ROMs.

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

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

Business Overview

We are a leading enabler of global merchandise trade. Our services facilitate international trade in multiple vertical markets between global suppliers and buyers that purchase in volume for resale. We aggregate and organize product images and data from international export suppliers and help them market their products to global buyers, and we provide software and services to facilitate these cross-border transactions.

We believe that we have more sourcing and marketing activity than any other global merchandise trade marketplace. As of December 31, 2000, over 93,000 suppliers were listed in our marketplace. During the 12 month period ended December 31, 2000, over 7,200 suppliers paid for our proprietary Marketing Websites. In the same period, buyers sent more than 2.1 million Requests For Information (RFIs) to suppliers through our online marketplace. Revenue from our online marketplace services grew from 2.3% of our total revenue for the year 1996 to 53.6% of our total revenue for the year 2000. Online marketplace services revenue equaled $56.4 million for the year 2000, an increase of 119% compared to 1999.

We generate revenue from three primary sources:

- Online Marketplace Services--We provide a variety of services that allow international buyers to identify suppliers and products, and that enable suppliers to market their products to a large number of buyers. Our primary service is creating and maintaining Marketing Websites that present suppliers' product and company information. We aggregate suppliers' content in a consistent, easily searchable manner on our online marketplace called Global Sources Online.

- Transaction Software and Services--We offer software solutions in public and private environments that facilitate international trade transactions. Global Sources Transact is a comprehensive order processing and trade management system that integrates with an enterprise's legacy Enterprise Resource Planning (ERP) or other back-end systems. In addition, we offer two related cataloging services. Private Buyer Catalogs enable buyers to maintain customized information from current and potential suppliers. Private Supplier Catalogs are password-protected environments where suppliers can develop and maintain their own product and company data. We believe that, together with our online marketplace services, Transact and our cataloging software enable our customers to minimize manual and paper-based processes and conduct international business more efficiently.

- Complementary Media Services--We publish trade magazines, which consist primarily of product advertisements from suppliers and our independent editorial reports and product surveys. Since 1995, we have been repositioning our trade magazines to play an educational and promotional role to accelerate the shift of our customers to our e-commerce services. We introduced CD-ROM versions of our various vertical marketplaces on Global Sources Online in 1995 for similar purposes. Our trade magazines and CD-ROMs also enable us to serve that portion of the market that is not yet online.

We have been a facilitator of international trade for 30 years, have been involved in the development of e-commerce software for nine years and have operated our online marketplace for five years. We launched Asian Sources magazine in 1971 to serve global buyers importing products in volume from Asia. Since 1971, we have expanded our group of sourcing magazines to cover multiple vertical markets, and have become one of Asia's leading providers of trade information. In 1991, we initiated our transition to e-commerce by developing an earlier version of our order management software that is now known as Transact. We became one of the first business-to-business online marketplaces by launching Asian Sources Online in 1995. In 1999, we expanded our scope to include suppliers beyond Asia and changed our name to Global Sources.

During 2000, Jupiter Media Metrix named us the 8th largest net market in the world, Forbes Magazine named us one of their top 20 small firms worldwide and Asiaweek magazine selected Global Sources Online as the best business-to-business website in Asia.

Industry background

The International Trade Market Opportunity

The dollar value of global merchandise trade was $5.5 trillion in 1999 and is expected to be approximately $6.5 trillion in 2001, according to the International Monetary Fund. The share of the world Global Domestic Product that is effectively globalized, or open to non-domestic firms, is set to rise from around 20% today to over 50% in the next 10 to 15 years, according to McKinsey & Company.

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

International Trade Challenges

International commerce is highly complex, fragmented and expensive, which has prevented many companies from participating. Approximately $400 billion, or 7% of global merchandise trade, is spent on administrative costs annually, primarily document handling and transmission costs related to trade transportation, according to the Boston Consulting Group. Voluminous international regulations create huge amounts of supporting paper with the average ship carrying over 500 pounds of documents for its cargo. International trade participants face two primary sets of challenges:

Sourcing and Marketing Challenges. The large scale and fragmented nature of international trade can make it difficult for buyers and suppliers to identify each other. Accordingly, buyers' search and evaluation costs and suppliers' advertising and marketing expenses can be far greater than in a domestic environment.

Transacting and Communicating Challenges

- Logistics issues. Large distances between trading partners, multiple transportation factors and associated documentation and costs are a significant source of supply chain inefficiency. Additionally, participants in international trade can span multiple time zones, speak different languages, and observe diverse cultural norms, all of which make conducting business less efficient.

- Unique transaction requirements. The documents and processes required for international trade are much more complex than for domestic business-to-business transactions. The certificates of origin, international letters of credit, bills of lading, customs declarations and advanced shipping documents required for the international shipment of goods are complex, labor intensive and error-prone.

- Financial burdens. Fluctuations in currency exchange rates increase the financial risks associated with international trade. Additionally, governmental actions that restrict transfers of funds and trade protection measures, including tariffs and export quotas, increase the costs of international trade.

- Regulatory requirements. The forms and procedures required to clear customs vary by country. For example, Japan alone has more than 200 trade laws for each category of import, which creates over 17,000 different regulations. Errors in documentation or failure to comply with country-specific customs procedures can result in shipping delays. Failure to ac-

count for duties and quotas can also result in delays or the seizure of goods and the assessment of fines or penalties.

Our solution

We have developed solutions that streamline the communication and transaction processes associated with international trade. The key elements of our solution are as follows:

Neutral platform benefits both buyers and suppliers. The common interface of the Marketing Websites on Global Sources Online allows global buyers to efficiently search for goods, either by product or by geographic area, without having to navigate differently formatted sites of multiple suppliers. Global suppliers have a forum to promote and display their product offerings and thereby generate RFIs from buyers.

Transaction software facilitates online international trade. Global Sources Transact is a comprehensive trade management software package that integrates sourcing and order processing capabilities. Transact allows users to efficiently manage each step in the supply chain and can be integrated with a variety of legacy back-end systems. Transact, together with our Private Buyer Catalog and Private Supplier Catalogs, allow global buyers and suppliers to reduce the time and costs associated with multiple manual and paper-based tasks associated with international trade.

Global coverage and breadth of products perpetuates growing buyer/supplier network. Buyers from 230 countries and territories made inquiries on our online marketplace during the 12-month period ending December 31, 2000. As our base of active buyers and the number of RFIs increases, our online marketplace services will become increasingly attractive to suppliers. The growth of this network becomes self-perpetuating. As the number of buyers and sellers using our services grows, our site becomes incrementally more attractive to additional buyers and sellers.

Complementary media promote the transition to our e-commerce services. We publish monthly trade magazines that serve our verticals, and we produce CD-ROM versions of our online content for each of our vertical markets. Together, these media allow us to serve global buyers and suppliers that do not have access to the Internet and provide us with an effective educational and promotional tool for our e-commerce services.

Our growth strategy

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

Increase penetration of our online marketplace services in our existing markets

We intend to increase the penetration of our online marketplace services in our existing vertical and geographic markets. On the buyer side, we intend to continue to use our trade magazines and CD-ROMs to encourage buyers to adopt our e-commerce services through a combination of editorial features regarding e-commerce and advertisements promoting our e-commerce services. Additionally, our trade magazines and CD-ROMs contain extensive references to the large selection of additional information on Global Sources Online. Supplier advertising in our trade magazines also includes references to the suppliers' Marketing Websites at Global Sources Online. We also advertise online and host exhibits at more than 80 trade shows annually where we demonstrate our e-commerce services to buyers.

To serve suppliers, we have a team of over 700 dedicated independent sales representatives whose primary function is to introduce our online marketplace services to the 93,000 suppliers listed on Global Sources Online. We believe that this sales force plays a vital role in educating, attracting, retaining and supporting these customers.

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We believe that as Global Sources Online grows in content and usage, more buyers will be attracted and, thus, more suppliers will seek to maintain Marketing Websites and use our associated services.

Increase adoption of our transaction software

We intend to increase adoption and usage of our transaction software by offering versions that appeal to a larger universe of potential customers. We are developing a new Web-enabled version of Transact, our comprehensive trade management software. We intend to integrate transaction and messaging solutions with our cataloging services to provide Private Exchanges. This initative will leverage our capabilities to electronically enable, and obtain digital content from suppliers throughout the region.

Expand into new vertical and geographic markets

Our business has historically been geographically dispersed, and we believe we have the systems and infrastructure in place to support further vertical and geographic expansion. We intend to continue to expand into new territories by entering into joint ventures, representation agreements and licensing arrangements with third parties and through acquisitions. For example, in the past year we have entered into license arrangements with third parties in Indonesia, Mexico and Turkey to expand coverage of Global Sources Online into these regions. We also intend to expand into new vertical markets. As of December 31, 2000, we serve 27 industry verticals and 13 geographic portals.

Expand the functionality of our transaction software

We plan to integrate with various third-party services including financial, credit, insurance and logistical services.

Pursue strategic partnership and acquisition opportunities

We may pursue strategic acquisitions of complementary businesses, technologies or products that we believe will accelerate any of the elements of our strategy. We currently have no understandings, arrangements or agreements with respect to any potential acquisitions. We also intend to develop and utilize strategic partnerships to gain access to a larger number of potential users, cooperatively market products and services, cross-sell additional services and gain entry to new markets. We believe that we can use strategic partnerships to enhance our brand and grow our customer base.

Our services

Online Marketplace Services

Through Global Sources Online we offer online marketplace services that assist buyers in identifying suppliers and products and allow suppliers to market their products to a wide variety of buyers. We measure the performance of our marketplace primarily by the quantity and quality of marketing and sourcing activity. During the 12 month period ending December 31, 2000, more than 7,200 suppliers paid for Marketing Websites and related services. In December 2000, Global Sources Online featured approximately 83,000 product profiles, and during the year ending December 31, buyers made more than 2.1 million RFIs to suppliers through Global Sources Online.

Buyers may search Global Sources Online by product, by supplier or by country. A key feature of Global Sources Online is the common interface to suppliers' information, making it unnecessary for buyers to leave our website to visit numerous individual supplier websites, each with a different data structure and design. Another important feature of Global Sources Online is "Product Alert." Buyers set their profiles by registering for product

categories about which they would like to receive information. They are then notified by e-mail whenever there is new advertising or editorial content in the product categories they specified.

Our primary service to suppliers is our Marketing Websites. Each Marketing Website is comprised of a home page, a company profile and an electronic virtual showroom containing product profile pages on the supplier's products. Each product profile page contains detailed product information and specifications and a full color image. Our sales representatives collect the data for the Marketing Websites, or suppliers can input the data directly if they have a Private Supplier Catalog. Our production units then verify the data structure and perform a quality control check before posting the new content on Global Sources Online.

Suppliers pay us a monthly fee for their Marketing Website that varies depending on the number of product profiles they choose to feature. For an additional flat fee, suppliers may upgrade to a Gold Website. This enables them to feature additional company information pages on their site.

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

Transaction Software and Services

We are enhancing our transaction software offerings by developing new, Web-enabled versions of our order management software, Global Sources Transact. Transact is our order management software that was originally developed in 1991. More than 350 major trading organizations have installed versions of the software, including Liz Claiborne, Reebok and Warnaco.

Transact provides a comprehensive trade management system that integrates sourcing and order processing capabilities for each step in the supply chain and minimizes manual and paper-based transactions. Transact supports multiple currencies and languages, automated document generation and management tracking for greater control of the order process

We offer Private Buyer Catalogs for volume buyers to make their sourcing and purchasing activities more efficient. The catalogs enable buyers to maintain personalized product and supplier information from current and/or potential suppliers. We launched this service in 1998, and approximately 100 large buying organizations currently use the service, including The Home Depot, PREL--buying agent for Wal-Mart, Dell, Compaq, and Gemex--buying agent for Metro, Europe's largest general merchandise retailer.

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

Complementary Media Services

We publish the following eight monthly trade magazines:

Global Sources Computer Products	Global Sources Electronics
Global Sources Electronic Components	Global Sources Fashion Accessories and Supplies
Global Sources Gifts & Home Products	Global Sources Hardwares
Global Sources Timepieces	Global Sources Telecom Products

Since the launch of our online services in 1995, our sourcing magazines and CD-ROMs have been increasingly repositioned as an educational and promotional tool for our e-commerce services. In addition to their support role, these complementary media serve that segment of the market that is not online and provide us with an additional revenue stream. Our trade magazines contain advertisements from suppliers, as well as our independent editorial features including market reports and product surveys. Our CD-ROMs provide buyers with an offline, electronic means of accessing content found within the vertical marketplaces on Global Sources Online. In addition to our paid subscription base, we distribute samples of our trade magazines and CD-ROMs free of charge to prospective customers at a variety of trade shows and events. We will continue to use our trade magazines and CD-ROMs as a cost-effective means of promoting our e-commerce services.

Asia and China-focused Services

In addition to our primary services, our 30-year history and local market expertise in Asia has enabled us to become a leading provider of information to electronics engineers, exporters and executives throughout the Asian region. We have created four websites and publish four magazines covering this segment of our business. In addition, we host several conferences and events each year for a variety of participants in the Asian electronics markets.

Websites

Website	Description
ChiefExecutive China Online www.cec.globalsources.com	o A business management resource for mainland entrepreneurs.
China Exporter Online www.exporter.globalsources.com	o Online version of China Exporter magazine providing information on conducting busines foreign markets.
Electronic Engineering Times Online www.eetasia.com	o Provides news about electronic products and applications. The website is available in and Korean as well as traditional and simpl Chinese.
Electronic Buyers' News China www.ebnchina.com	o Provides global and local industry news sum and product updates that impact China's loc electronics manufacturers.

Magazines

Magazine	Description
Electronic Engineering Times	o Delivers the latest high-tech components and techniques to Asia's engineering community in Chinese, Korean and English.

Electronic Buyers' News China	o	Serves electronics enterprise managers who are responsible for component, material and equipment purchasing de-

		cisions.
Chief Executive China	o	A business publication serving China management elite, with features on management techniques, strategies and case studies.
China Exporter	o	Provides a mix of news and insights into foreign markets, e-commerce and international trade business practices.

Customers

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

Buyers

Across the vertical markets we currently cover, we serve over 209,000 unique, active buyers who have made an RFI using Global Sources Online, or received a magazine or CD-ROM within the last 12 months. Specific procedures used to determine the number of unique buyers were performed by an internationally-recognized accounting firm.

We emphasize serving large buying organizations as these companies are more technologically advanced and account for a disproportionately large volume of trade. For example, we believe that the companies that have established Private Buyer Catalogs on Global Sources Online have combined annual sales in excess of $760 billion.

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

Suppliers

Suppliers from more than 150 countries and territories, approximately 90% of which are currently Asian manufacturers and trading companies, are currently listed and categorized on our websites. During the 12 month period ending December 31, 2000, over 7,200 suppliers paid us for Marketing Websites or related services. None of our supplier customers represented more than 1% of our revenue during the twelve months ending December 31, 2000.

Sales and marketing

Our global sales organization consists of approximately 700 full-time independent representatives in more than 40 locations. These representatives focus on developing and maintaining relationships with suppliers that are current customers and seek to increase the number of global suppliers using our online marketplaces and transaction software services. Online marketplace services and print advertising revenue is seasonal and has tended to be highest in the fourth quarter of each calendar year. Representatives collectively make an average of 50,000

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supplier visits per month. The largest sales offices are located in Hong Kong, Beijing, Guangzhou, Shanghai, Shenzhen, Seoul and Taipei.

Our marketing strategy leverages our database of 93,000 supplier profiles currently listed on Global Sources Online and aggregated buyer demand. Sophisticated analysis of buyer and supplier profile data enables us to target our marketing strategy in areas ranging from specific product categories within verticals to entire geographic markets.

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

Content development

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

Customer service

We have established customer service centers employing approximately 30 people that handle more than 100,000 customer queries per year. We recently upgraded our customer service to 24 hours a day, seven days a week operations. We use three geographic locations in order to implement 24 hour coverage, including Singapore, our servicing headquarters, Shenzhen, China, our Chinese language support center, and Scottsdale, Arizona, our U.S. servicing base.

Strategic relationships

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

We are also the 60.1% owner of a joint venture with CMP Media Inc. through United Business Media B.V., a subsidiary of United News & Media plc. We entered into the joint venture in September 2000, and we expect it to provide new technology content, media and e-commerce services for the Asian electronics market, focusing on new opportunities in the Greater China market.

Technology and systems

We use a combination of commercial software and internally developed systems to operate our websites and services. We have invested more than $25.8 million since 1995 in online services development. Currently, we

have approximately 200 full-time employees engaged in technology development, maintenance, software customization and customer service positions.

Our online marketplace services are run on the Oracle DBMS release 8.0.5. The catalog application that supports Global Sources Online's core functions uses Oracle Application Server 3.0.

Our servers are hosted by Singapore Telecom. We have a dedicated 10Mbps link to SingTel's IX backbone, while Singapore Telecom maintains a 402 Mbps link to the United States and direct links to most countries in Asia. We use three off-site tape drives as well as a server located at our Singapore facility for back-up. For the twelve months ended December 31, 2000 our computer systems had approximately 24 hours of service outages.

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

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

Competition

Online global trade marketplaces and related software services are relatively new, rapidly growing and intensely competitive. This market is highly fragmented and our competition varies widely by the type of service provided, geographic focus and vertical served. We do not believe that there is a dominant direct competitor in this market. However, we may compete with a variety of businesses that have announced their intention to launch, or have already launched, solutions that compete to some degree with ours. These businesses include brick and mortar consortium exchanges, domestic retail marketplaces, international trade marketplaces, transaction software and services providers, auction and reverse auction service providers and distributor, sell-side marketplaces. We may be at a competitive disadvantage to companies that have greater financial resources, more advanced technology and that offer lower cost solutions that compete with 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, are 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 and we have applied for a patent for one of these applications. In the future we may apply for additional patents. We may not be successful in obtaining the patents for which we have applied. Even if we are issued a patent, it is possible that others may be able to challenge such a patent or that no competitive advantage will be gained from such patent.

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

We have registered trademarks in the United States, China, Japan and Taiwan for "Asian Sources" and we have many other registered trademarks and trademarks pending registration in various countries, including pending trademark registrations for "Global Sources".

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

Government regulation

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

Internet Regulation. There are an increasing number of laws and regulations pertaining to the Internet. In addition, a number of legislative and regulatory proposals are under consideration by federal, state and local and foreign governments and agencies. Laws or regulations may be adopted with respect to the Internet relating to the liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, taxation and the quality of products and services. Moreover, it may take years to determine whether and how existing laws such as those governing issues relating to intellectual property ownership and infringement, privacy, libel, copyright, trademark, trade secret, 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 by the Federal Trade Commission in the same manner as other telecommunications services. Additionally, local telephone carriers have petitioned the Federal Communications Commission to regulate Internet service providers in a manner similar to long distance telephone carriers and to impose access fees on such providers. Some Internet service providers are seeking to have broadband Internet access over cable systems regulated in much the same manner as telephone services, which could slow the deployment of broadband Internet access services. Because of these proceedings or others, new laws or regulations could be enacted which could burden the companies that provide the infrastructure on which the Internet is based, thereby slowing the rapid expansion of the medium and its availability to new users.

Legal proceedings

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

Organizational Structure

We own, directly or indirectly, 100% of the following significant subsidiaries: Trade Media Holdings Ltd. (Cayman Islands), Trade Media Limited (Cayman Islands), ASM Business Services Ltd (Cayman Islands), World Executive's Digest Ltd (Cayman Islands), Trade Management Software Ltd (Cayman Islands), Lazenby Services Ltd (British Virgin Islands), Media Data Systems Pte Ltd (Singapore), Publishers Representatives Ltd (Hong Kong), Equitable Accounting Services Ltd (Hong Kong), Floro Company Ltd (Hong Kong), Trade Man-

agement Productions Ltd (Hong Kong), Trade Management Software (HK) Ltd. (Hong Kong), Pine Grove BV (Netherlands) and Global Sources USA, Inc. (Delaware).

Properties

We do not own any of our offices. Generally, we lease our office space under cancelable arrangements with terms not longer than three years. We also service and soon will service our customers through independent sales representative offices located in Australia, Canada, Hong Kong, India, Israel, Japan, Malaysia, The Netherlands, The Philippines, Singapore, Taiwan, Thailand, the United Kingdom, the United States, Brazil and approximately 30 locations in China. We lease in the aggregate approximately 135,551 square feet of executive and administrative offices in Hong Kong, Singapore, the Philippines and China. Our aggregate base rental payments in 2000 were approximately $1.5 million.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Overview

We derive revenue from three principal activities.

Online Marketplace Services--Our principal online marketplace services are Marketing Websites, where suppliers present their products and capabilities on Global Sources Online. We also derive revenue from banner advertising and placement fees. We ratably recognize the fees we receive to display a supplier's goods or company data over the contractual term, which is generally six to 12 months.

Transaction Software and Services--Currently, customers typically pay a one-time fee for a perpetual license to use our Global Sources Transact software. License fees are based on the number of sites and users for the software product and also include post-contract customer support services for one year. We recognize license fees upon delivery of the software and when no significant obligations remain. Post-contract customer support revenue is deferred and recognized ratably over the maintenance period. We are in the process of creating web-enabled versions of Transact, for which we may charge customers differently.

Complementary Media Services--Suppliers pay for advertising in our trade magazines to promote their products and companies. Generally, we publish our trade magazines monthly. We recognize revenue ratably over the period in which the advertisement is displayed, generally not exceeding one year. We also derive revenue from buyers that subscribe to our trade publications.

Revenue from other sources primarily relates to organizing business seminars and exhibitions. We recognize revenue at the conclusion of these events.

Our costs of revenue consist of the commissions we pay to our independent sales representatives, as well as support fees for processing sales contracts and incentive payments. These representatives obtain content for our Marketing Websites and trade magazines, sell our software and receive a commission as a percentage of the revenue generated.

Results of operations

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

	Year Ended December 31,		
	1998	1999	2000
Income statement data:			
Revenue:			
Online marketplace services	15%	28%	54%
Transaction software and services	1	1	1
Complementary media services	80	67	41
Other	4	4	4
Total revenue	100	100	100
Operating expenses:			
Sales	30	34	35

Circulation	16	14	13
General and administrative	37	35	34
Online services development	3	4	6
Non-cash compensation	--	--	63
Other	1	--	2
Total operating expenses	87	87	153
Income/(loss) from operations	13	13	(53)
Net income/(loss)	12%	12%	(65)%

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

	Year Ended December 31,		
	1998	1999	2000
Asia	91%	93%	93%
United States	6	5	5
Europe	2	1	1
Other	1	1	1
Total revenue	100%	100%	100%

Fiscal Year 2000 Compared to Fiscal Year 1999

Our online marketplace services revenue grew from $25.8 million in the year 1999 to $56.4 million in the year 2000, an increase of 119%. This increase was attributable to our increased sales efforts and the continuing acceptance by our clients of our online marketplace services as a way of conducting export trade. Our complementary media services revenue declined from $62.1 million in the year 1999 to $43.4 million in the year 2000, a decrease of 30%. This decrease was attributable to our ongoing emphasis on online marketplace services. Total revenue grew from $91.9 million in the year 1999 to $105.2 million in the year 2000, an increase of 14%.

Sales. Sales costs consists of the commissions paid and incentives provided to our independent sales representatives and sales support costs. Sales costs increased from $31.1 million in the year 1999 to $36.6 million in the year 2000, an increase of 18% arising mainly from the growth in revenue and sales support costs incurred for development of new markets.

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

creased from $13.1 million in the year 1999 to $13.3 million in the year 2000, an increase of 2%, due mainly to increase in printing charges and paper costs for increases in print runs.

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

$32.1 million in the year 1999 to $36.2 million in the year 2000, an increase of 13%, due mainly to cash expenses incurred in connection with our recent share exchange, increase in marketing expenses and fees paid for professional services.

Development Costs. Development costs consist mainly of payroll costs, office rental and depreciation relating to the development of Global Sources Online, Private Buyer Catalogs, Private Supplier Catalogs and online Transaction Services. Development costs to fund the expansion of our online marketplace services and transaction services increased from $3.5 million in the year 1999 to $6.7 million in the year 2000, an increase of 91%. This increase resulted from our efforts to continue to enhance our online marketplace services and transaction services.

Non-cash Compensation Expense. On February 4, 2000, the company established a restricted share award plan for the benefit of our chairman and chief executive officer in recognition of services to the company. In conjunction with the restricted share award plan, the principal shareholder assigned 4,008,221 ordinary shares of the company representing 15.2% equity interest in the company, to the company. The company then awarded these shares to our chairman and chief executive officer.

Effective August 30, 2000, the Company's equity compensation plan committee approved the accelerated vesting of all the restricted shares granted to our chairman and chief executive officer. The non-cash compensation expense associated with this award amounted to $64 million. An amount of $10.3 million was charged up to second quarter and $53.7 million was charged in the third quarter. The $64 million non-cash compensation charge was correspondingly credited to additional paid in capital, resulting in no dilution to shareholders' equity.

In the third quarter 2000, the Company's equity compensation plan committee granted awards under Equity Compensation Plan (ECP) II and ECP III to staff and team members.

The total non-cash compensation expense, resulting from the one-time grant of shares to the chairman and chief executive officer and the two ECP plans, recorded by the company during the year ended December 31, 2000 was $65.7 million.

Other non-cash expenses. Other non-cash expenses consist of listing expenses in connection with our recent share exchange and amortization of intangibles and software development costs.

Other non-cash expenses for the year 2000 was $2.4 million, consisting mainly of $1.4 million incurred in connection with our recent share exchange and $0.6 million amortization of software development cost, compared to $0.4 million for the year 1999 for amortization of intangibles.

Income/Loss from operations. Income from operations for online marketplace services for the year 2000 was $12.7 million as compared to the income from operations of $3.6 million in 1999. Total loss from operations during year 2000 was $55.6 million as compared to an income from operations of $11.8 million during 1999. The loss during year 2000 was mainly due to the non-cash compensation expense of $65.7 million, non-cash listing expenses of $1.4 million and increase in online services development costs.

Write-down of investments. During the fourth quarter of year 2000, we wrote down $11.8 million on investments in and cash advances to unaffiliated electronic commerce companies, based on the current financial position of the investee companies and other information which became available in quarter four and developments in the technology and internet sectors in quarter four.

Income Taxes. We reported a tax provision of $1.3 million in the year 2000 and $1.4 million in the year 1999.

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

Net Income/Loss. Net loss was $68.2 million for the year 2000, as compared to net income of $11.0 million for last year. This net loss was due mainly to the non-cash compensation expense of $65.7 million, non-cash listing expenses of $1.4 million and the write-down on investments in unaffiliated electronic commerce companies of $11.8 million and increase in online services development costs.

Fiscal Year 1999 Compared to Fiscal Year 1998

Revenue. Our online marketplace services revenue grew from $14.6 million in 1998 to $25.8 million in 1999, an increase of 77%. This increase was attributable to our continued focus on shifting customers from our print advertising services to our online marketplace services. Our total revenue decreased from $95.9 million in 1998 to $91.9 million in 1999, a decrease of 4%. Our revenue in Hong Kong and Taiwan was lower in 1999 as a result of intense price competition in the print advertising and subscription services category. Also, in 1999, as a result of the Asian economic crisis, many Asian companies reduced their advertising budgets. Accordingly, we decided to discontinue the publication of two magazines, which reduced our revenue. Customers located in the United States and Europe also reduced advertising spending for our print advertising and subscription services due to reduced demand for American and European products in Asia.

Sales. Sales costs consists of the commissions paid and incentives provided to our independent sales representatives and sales support costs. Sales costs increased from $29.0 million in the year 1998 to $31.1 million in the year 1999, an increase of 7.2% arising mainly from the sales support costs incurred for development of new markets.

Circulation. Circulation costs decreased from $15.4 million in 1998 to $13.1 million in 1999, a decrease of 15%. This decrease was attributable mainly to a reduction in printing, paper and bulk mail costs.

General and Administrative. General and administrative costs decreased from $35.3 million in 1998 to $32.1 million in 1999, a decrease of 9%, due mainly to reduced sales promotion costs, salaries, rental, depreciation and other overhead expenses. We believe these savings are temporary and future periods are not expected to benefit from these costs reductions.

Development Costs. Development costs increased to $3.5 million in 1999 from $3.2 million in 1998, an increase of 9%. Development costs increased due mainly to an increase in personnel. Also, in 1999, we developed a new online software service and capitalized approximately $4.6 million of software development costs. Prior to 1999, all software developed for internal use was expensed.

Other. Other expenses consist of amortization of intangibles, consisting mainly of copyrights. Other expense was $0.4 million for both 1998 and 1999. In 1998 and 1999, amortization of intangibles consisted of mainly copyrights, which will be fully amortized by 2001.

Income Taxes. We reported a tax provision of $1.4 million in 1999 and $1.6 million in 1998, a decrease of 12%. The decrease in income tax for 1999 was due primarily to a decline in revenue in countries which charge income tax.

Net Income. Net income was $11.0 million for 1999, as compared to $11.6 million in 1998. The marginal drop in 1999 net income was due primarily to a reduction in revenue from print advertising and subscriptions, which was substantially offset by an increase in profitability in our online marketplace services and a reduction in circulation costs and general and administrative costs. Additionally, we reported a foreign exchange gain of $0.4 million in 1999, as compared to a foreign exchange gain of $0.2 million in 1998.

Liquidity and capital resources

We finance our activities using cash generated from our operations, supplemented by borrowings from a short-term bank loan, as necessary.

Net cash generated from operating activities was $16.9 million during the year 2000 and $15.1 million for the year 1999. The primary source of cash from operating activities was net income as adjusted by non-cash expenses and changes in working capital.

Net cash used for investing activities was $23.6 million for the year 2000, of which $17.1 million was used principally for capital expenditures for computers and software development and $13.0 million was used principally for investment in electronic commerce companies, off-set partially by $6 million capital contributed by CMP Media Inc., minority shareholder in a joint venture. Net cash used for investing activities in the year 1999 was $7.9 million, used primarily for the purchase of computers and software development.

Net cash generated from financing activities was $4.0 million in the year 2000, which resulted primarily from short term borrowings. Net cash used for financing activities was $7.5 million in the year 1999, resulting primarily from the payment of dividends.

Effective January 1, 2000, we executed a loan agreement in the principal amount of $11.4 million to establish the repayment terms of amounts owed to our principal shareholder. On January 1, 2005, we will begin repayment of this promissory note by making quarterly payments of principal and interest over the then following ten years. Interest will accrue beginning January 1, 2005 at the applicable U.S. Federal Funds rate.

On March 17, 2000, we entered into a revolving credit facility with Bank of Bermuda (Isle of Man) Limited. The credit facility has a term of one year and provides a borrowing facility of up to $25.0 million, with minimum borrowings of $1.0 million. The lender may request that we secure our borrowings under the credit facility. The credit facility bears interest, payable quarterly in arrears, at the London Inter-Bank Market Rate plus 0.5%. The credit facility can be used for investments, working capital and general corporate purposes. Our principal shareholder, Hung Lay Si Co. Ltd., has guaranteed all of the obligations under the credit facility.

On March 22, 2000, we used $5.3 million under our credit facility to repay and cancel a loan made on March 9, 2000 from Hung Lay Si Co. Ltd. to us. The loan was used to pay U.S. taxes on income of Merle Hinrichs, our chairman and chief executive officer. Mr. Hinrichs executed a promissory note in the amount of $5.0 million, representing his portion of the U.S. taxes on income owed, that bears interest at the Federal Funds rate plus 2%, adjusted quarterly. Mr. Hinrichs repaid the loan along with the interest due on December 19, 2000. In addition, we used $8.0 million of the credit facility to partially fund an investment in an unaffiliated electronic commerce company. On September 19, 2000, we repaid $4.0 million in the debt from the general operating funds and on December 19, 2000, we further repaid $5.3 million from the proceeds of the loan repayment by Mr. Hinrichs. As of December 31, 2000, we had drawn $4.0 million under the credit facility.

On May 19, 2000, we invested $1.0 million in an unaffiliated electronic commerce company. Under the terms of the agreement, we provided this company, on June 14, 2000 with an additional unsecured cash advance of $2.0 million, repayable within two years, or three months notice from us. We also have an option to convert the unsecured advances into equity shares. However based on the current financial position of the investee company and other available information, we considered it prudent to write down completely the investment and the unsecured cash advance. At the same time we also wrote down $8.8 million on our investment of $10.0 million in another electronic commerce company based on the latest available information. The total $11.8 million write down is reflected on the income statement.

On July 7, 2000 we entered into an agreement with CMP Media Inc., a unit of United News & Media plc to set-up a joint venture company to provide new technology content, media and e-commerce services to the electronics technology market in Asia. We took a 80% share and CMP took 20% share in the joint venture company. We transferred two of our existing publications, marketing inserts business and conference and exhibitions business as the consideration for our 80% share. CMP paid for its share of $6 million in cash. Subsequently CMP purchased from us an additional 19.9% interest in the joint venture for which it executed a promissory note for $6 million. The promissory note can be repaid out of the dividends received by CMP from the joint venture company.

The total costs capitalised for the development of Global Sources Connect were $9.3 million. We launched the product on October 17, 2000 and started to amortize the development costs over the estimated useful life of three years.

Advance payments received from customers were $15.1 million as of December 31, 1999 and $15.9 million as at December 31, 2000, improving our liquidity. We anticipate that cash on hand, cash generated from operations and short-term bank borrowings will be adequate to satisfy our working capital, capital expenditure requirements and cash commitments based on our current levels of operation. However, we intend to raise additional capital in order to invest in the growth of our online marketplace services and transaction software and services businesses.

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 gain or losses in revenues and accounts receivable have been offset by corresponding foreign exchange losses or gains arising from expenses. However, during the Asian economic crisis of 1997 to 1998, both advertising sales and the value of Asian currencies declined, which caused a significant decline in revenues that was not fully offset by lower expense levels in Asian operations.

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

As of December 31, 2000, we have not engaged in foreign currency hedging activities.

Year 2000

We have not experienced any material problems as a result of the Year 2000 turnover or in connection with February 29, 2000. We do not believe that any Year 2000 related issues will affect our business, results of operations or financial condition in the future.

Recent accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 is effective for all fiscal quarters beginning with the quarter ending March 31, 2000. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133," which deferred the effective date until January 1, 2001. We believe that the adoption of SFAS 133 will not have a material impact on our financial statement position or results of operations.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which summarizes certain of the SEC Staff views in applying U.S. GAAP to revenue recognition to financial statements. We adopted SAB 101 in these consolidated financial statements. Such adoption has no impact on our consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors And Senior Management

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

Name	Age	Position

Merle A. Hinrichs......................	58	Director, Chairman and Chief Executive Of
Eddie Heng Teng Hua....................	50	Director and Chief Financial Officer
J. Craig Pepples.......................	39	Chief Operating Officer
Bill Georgiou..........................	56	Chief Information Officer
Sarah Benecke..........................	43	Director
David F. Jones.........................	35	Director
Jeffrey J. Steiner.....................	63	Director
Roderick Chalmers......................	53	Director
Dr. H. Lynn Hazlett....................	64	Director

Merle Hinrichs is one of our founders and served as principal executive officer of Trade Media (our predecessor) 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 co-founder and former chairman of the Society of Hong Kong Publishers. He is a member of the board of trustees of the American Graduate School of International Management (Thunderbird) and is a board member of the Economic Strategy Institute. His term as director expires in 2003.

Eddie Heng has been our chief financial officer (previously entitled vice president of finance) since April 1994. He joined us in August 1993 as deputy to the vice president of finance. He is 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

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joint venture between Hitachi and General Motors. He is a member of the Operations Board. His term as director expires in 2001.

Craig 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 us in October 1986 in an editorial capacity, managed our sales in China from 1989 to 1992, and served as country manager for China from 1992 to June 1999. Mr. Pepples is a member of our management board.

Bill Georgiou was appointed 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 Chief Information Officer with Park N'Shop (HK) Ltd. from 1999 to 2000. He is a member of the operations board. He received his B.Ec. (Honours degree) and M.B.A. from the University of Adelaide.

Sarah Benecke has been one of our directors since July 1993. She was our principal executive officer from January 1994 through August 1999. She joined us in May of 1980 and served in numerous positions, including publisher from 1988 to December 1992 and chief operating officer in 1993. Her term as director expires in 2001.

David Jones has been one of our directors since July 1999. He was an executive at MacQuarie Direct Investment, a venture capital firm in Sydney, Australia from 1994 to August 1999, where he was responsible for investment and strategic analysis of potential and existing portfolio companies. He joined UBS Capital in July 1999 and is currently a director of Miller's Retail Ltd., which is one of our customers. His term as director expires in 2002.

Jeffrey Steiner has been one of our directors since April 2000. He has also been a director of The Fairchild Corporation 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 November 1998. He is president of Cedco Holdings Ltd., a Bermuda corporation, and a director of The Copley Fund. His term as director expires in 2003.

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

Dr. H. Lynn Hazlett has been one of our directors since October 2000. He was a former chief executive officer and president of QRS Corporation, a leading US-based provider of supply chain management solutions to the retail industry, until his retirement in 2000. He previously managed Supply Chain Associates, an international consulting firm until 1997. Prior to that he was corporate vice president at VF Corporation, the US apparel company, from 1989 to 1994. Dr. Hazlett has a doctorate in Economics and Automated Systems from George Washington University. His term as director expires in 2002.

Compensation

For the year ended December 31, 2000, we and our subsidiaries provided our nine directors and executive officers as a group aggregate remuneration, pension contributions, allowances and other benefits of approximately $65,444,516 including the non-cash compensation of $64,140,256 associated with the share award and ECP plans. Of that amount, $185,000 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 seven current members of senior management and three former members of senior management who may receive payments on maturity.

In 2000, we and our subsidiaries incurred $25,822 in costs to provide pension, retirement or similar benefits to our respective officers and directors pursuant to our retirement plan and pension plan.

On February 4, 2000, Hung Lay Si Co. Ltd. made a capital contribution of 1,600 Class A ordinary shares of our predecessor, representing a 16% equity interest in such entity to Trade Media Holdings Ltd. It in turn contributed these shares to one of our wholly-owned Delaware subsidiaries, for a restricted share award for the chairman and chief executive officer in recognition of his services. These shares represent our common shares following the share exchange. 501,028 of our common shares, representing an approximately 1.9% equity interest, vested upon Mr. Hinrichs' entering into an employment agreement with us. The remainder of the grant, or 3,507,193 shares, representing an approximately 13.3% equity interest, was accelerated and fully vested on August 30, 2000. We recorded $64.0

million in non-cash compensation related to this share award during the year ended December 31, 2000.

Employment Agreements

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

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

Board Practices

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

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annual meeting of the directors held immediately after the annual general meeting of shareholders. Our executive officers have, on average, 13 years of service with us.

Committees of the board of directors

We have established an audit committee and an executive committee. The audit committee recommends the appointment of auditors, oversees accounting and audit functions and other key financial matters of our company. David Jones, Roderick Chalmers and Lynn Hazlett are the members of the audit committee. The executive committee acts for the entire board of directors between board meetings. Merle Hinrichs and Eddie Heng are the initial members of the executive committee.

Employees

As of December 31, 2000, we had 567 employees worldwide, the majority of whom work in management, technical or administrative positions. We consider our employee relationships to be satisfactory. Our employees are not represented by labor unions and we are not aware of any attempts to organize our employees.

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

Function	Employees	Independent Contractors
Content Development	69	161
Corporate Human Resources & Administration	36	33
Corporate Marketing	15	33
Community Development	97	21
Sales	20	792
Publishing	58	197
Electronic Commerce Services	43	0
Interactive Media Department	8	82
Information System Department	131	31
Corporate Accounts	76	49
China Legal	3	2
New Markets	6	13
Office of the CEO, COO, CTO	5	7
Legal and Group Secretarial	0	5
Total Staff	567	1426

Share Ownership

Equity compensation plans

We established The Global Sources Employee Equity Compensation Trust on December 30, 1999. The Trust is administered by Harrington Trust Limited, as trustee. The purpose of the Trust is to administer monies and other assets contributed to the trustee for the establishment of equity compensation and other benefit plans, including the equity compensation plans described below. The number of shares that may be sold pursuant to these plans is limited to the number of our shares held by the Trust. On February 4, 2000 Hung Lay Si Co. Ltd. made a capital contribution to us of 1,000 Class A Ordinary Shares of Trade Media, representing a 10% equity interest, and subsequently contributed these shares to the Trust. These Trade Media shares currently represent our common shares. As of the date hereof, the Trust holds 2,572,038 of our common shares. The Trust does not intend to acquire any additional shares. In exercising its powers, including the voting of securities held in the Trust, the trustee may be directed by a plan committee, selected by the board of directors of one of our wholly owned subsidiaries.

Global Sources Equity Compensation Plans Numbers I, II and III

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,