global sources

OPEN LETTER TO THE SHAREHOLDERS
OF
SAGE INTERNATIONAL GROUP LIMITED (“SAGE” or the “Company”)
(formerly Info Communication Holdings Limited) (STOCK CODE: 8082)
FROM
GLOBAL SOURCES LTD. (“Global Sources”) (NASDAQ: GSOL)
IN RELATION TO THE PROPOSED VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION OF THE COMPANY

Dear Shareholders of Sage,

We, Global Sources (NASDAQ: GSOL), a public company listed on NASDAQ, are writing to you about your Company’s proposed very substantial disposal and connected transaction, details of which were announced on 14 January 2011.

Essentially, this transaction involves the sale by the Company of its exhibition organisation business, which is operated by Infosky Group Limited (“Infosky”) and its subsidiaries, to Mr. Leung Tin Fu (“Mr. Leung”) for HK$3,000,000 (the “Agreement”). Mr. Leung is a connected person under the GEM Listing Rules. He controlled your Company when on 11 October 2007, he agreed to sell shares representing 55% of the issued share capital of the Company to TLX Holdings Ltd. (“TLX”). At that time, the Company had a stock market value of over HK$150,000,000 and the business of the Company was substantially the same business that Sage now proposes to sell for HK$3,000,000 pursuant to the Agreement. It appears that Mr. Leung has remained closely involved in the Company’s exhibition business. For example, according to a press release by the Hong Kong Trade Development Council (“HKTDC”) on 29 November 2010, it was Mr. Leung who signed, on behalf of Paper Communication Exhibition Services (which we believe is part of the Infosky group), a memorandum of agreement with the HKTDC to jointly launch a new trade fair (“Better Living Expo”) at the AsiaWorld-Expo in July 2011.

We consider that there is no sufficient basis for the very substantial reduction in the value attributed to the exhibition organisation business.

The Agreement requires your approval at a special general meeting of the Company. We believe a number of questions need to be answered by your directors and the independent financial adviser appointed to advise the independent committee of your board before you are asked to approve the sale of a 99.5% interest in Infosky.

Approaches by Global Sources to Sage

Over the last 9 months we made numerous approaches to Sage, both in writing and by telephone, to indicate our interest in acquiring the exhibition organisation business. Among the email exchanges is an e-mail acknowledgement on 25 May 2010 by Mr. Chui Ping Sun, Chairman of Sage, to the effect that Sage would revert once certain internal matters were settled. However, we did not hear from him, and subsequent approaches to Sage were ignored. Then, on 9 November 2010, the Company announced that it was in preliminary negotiations with a connected person (i.e. Mr Leung) on the possible disposal of the exhibition organisation business. Despite further attempts to contact the board, on 22 December 2010, the Company and Mr Leung entered into the Agreement for the sale of Infosky to Mr Leung.

In the absence of receiving any response or acknowledgement of the approaches by Global Sources to Sage, on 7 February 2011, Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”) on behalf of Global Sources submitted two alternative and non-binding proposals to the board of directors of Sage. The terms of these proposals are as follows:

Proposal I – Based on the information available to Global Sources and subject to contract and, among other things, limited due diligence, Global Sources will submit an indicative offer that values the 99.5% interest in the Infosky group at HK$6,000,000, a 100% premium to the consideration to be paid by Mr Leung;

or

Proposal II – the Company conducts a structured auction process for the sale of the Infosky group during which a shortlist of potential purchasers, for which Global Sources would aim to be selected, would be provided with the opportunity to undertake a due diligence review of the Infosky group on the basis of which competitive offers could be made. Global Sources would undertake to submit a bid of not less than HK$6,000,000, which price would be subject to the same conditions set out in Proposal I.

The above proposals were rejected by Sage on 14 February 2011 when Anglo Chinese received a letter from your board of directors which said that the Company had already entered into a legally binding sale and purchase agreement for the disposal of Infosky (this being the Agreement). This statement ignores the fact that the Company entered into the Agreement despite our previous repeated approaches. The letter states that the Agreement was ‘negotiated in good faith and on an arm’s length basis’ – we believe that the shareholders of Sage are entitled to ask that further questions be addressed before they can assess the validity of this statement.

The letter goes on to say that ‘in the circumstances and after taken into account a number of relevant factors, the Company considers that it is obliged to proceed with the Agreement.’ The ‘relevant factors’ are not spelt out. The letter concludes by indicating that the Company would be open to discussing our proposal if the Agreement is not approved by the shareholders.

We believe that Global Sources’ proposals are substantially more favourable to the Company and its shareholders than the terms of the Agreement. Obviously, Sage would only be in a position to enter into any agreement with Global Sources if it did not proceed with the Agreement.

WE STRONGLY BELIEVE THAT YOU ARE ENTITLED TO ASK YOUR BOARD TO ANSWER THE FOLLOWING QUESTIONS:

1. Is each director of Sage aware of the terms upon which Global Sources has indicated that it is prepared to acquire the Infosky group? Does the board accept that Global Sources’ proposal is significantly likely to mean that Sage would receive a higher price for Infosky than the sum offered by Mr Leung?
2. After the initial meeting in April 2010, Global Sources made numerous attempts to progress discussions with Sage both before and after the 9 November 2010 announcement. Why were these approaches ignored?
3. Why has the board approved Sage entering into what it describes as a legally binding agreement with Mr Leung to sell Infosky for HK$3,000,000 without affording Global Sources the opportunity to discuss the basis upon which it was (and is) prepared to acquire Infosky?
4. Has the board been given a full account of the reasons why the Agreement has been entered into? What are those reasons?
5. On 6 November 2007, Mr. Leung disposed of an approximately 55% interest to TLX, a company jointly controlled with another party by Madam Zhong Zi Mei, the mother of Mr. Chui, your current Chairman. At that time over 90% of the consolidated revenue of Sage was derived from the exhibition organisation business. Mr. Leung sold his controlling interest in Sage, whose core business was exhibition organisation, at an effective consideration of HK$0.1283 per share, valuing the group at approximately HK$111.1 million. The closing price of the Sage shares on the last trading date prior to the suspension of trading pending the announcement of the proposed sale of the controlling interest was HK$0.18, a 40.3% premium to this sale price. At this pre-suspension closing price the group was valued at approximately HK$157 million. On no trading date in the six months period to the last trading day prior to suspension did the Sage shares close below HK$0.142.

   Pursuant to the Agreement, the exhibition organisation business will now be sold by Sage back to Mr. Leung for only HK$3 million.

   Why did Mr. Leung sell his controlling interest in a profitable listed company in 2007 at a price which was a significant discount to the prevailing market price?
6. The core business of Sage in 2007 was the exhibition organisation business and this continued to be the case in respect of the next three financial years to 31 March 2010. The shares were continuously suspended from 26 June 2009 to 19 May 2010. On a fully diluted basis of 1,475,640,000 Sage shares and on the basis of the closing price of HK$0.05 the market was valuing Sage at HK$73.8 million on 19 May 2010 the core business of which was still operated by Infosky.

   Why has there been such a material reduction in the value attributed in the exhibition business, so as to justify the consideration of HK$3,000,000?
7. How, with a turnover of HK$9,336,000, has a loss of HK$11.3 million been attributed to the exhibition organisation business for the six months ended 30 September 2010?
8. On 10 February 2011 Sage made the third quarterly results announcement, from which it can be established that Infosky made a profit before tax of HK$8,352,000 in three months ended 31 December 2010. Furthermore the statement is made in the circular relating to the Agreement that the business of Infosky is on a deteriorating trend. Revenue increased by over 8% in the nine months ended 31 December 2010, when compared with the comparable period last year. Could the board please explain this inconsistency?
9. Given these facts, and Global Sources’ ongoing interest in acquiring Infosky on substantially more favourable terms than those agreed with Mr Leung, how is it in the interests of Sage or the shareholders for the Agreement to be approved?
10. On 11 February 2011, which was after receipt of Anglo Chinese’s letter setting out the proposals from Global Sources, the time for satisfying the conditions to the Agreement was extended by Sage by means of a supplemental agreement entered into between the Company and Mr. Leung. As far as we are aware, there was no obligation on Sage to agree to this extension. Why did the Company still choose to enter into the supplemental agreement, when it had already received the indicative offer from Global Sources on 7 February 2011?
11. Why since 31 March 2010 has Chan Chao International Co., Limited, 50.15% owned by Infosky, ceased to be treated as a subsidiary. Has this resulted in a reduction of the reported consolidated revenue and profits of Sage for the nine months to 31 December 2010?

WE CONTINUE TO BE VERY INTERESTED IN NEGOTIATING AN ACQUISITION OF INFOSKY

Recommended action

We believe that, with a view to maximising value for the Company and its shareholders, your board should have invited Global Sources to enter into discussions about the disposal of the exhibition organisation business, or alternatively should have conducted a structured auction process for the sale of the exhibition organisation business and invited competitive bids from various potential purchasers including Global Sources, given that in either case Global Sources would have been prepared to offer a price which is at least at a 100% premium to the consideration to be paid by Mr. Leung. You are urged to vote against the resolution to approve the Agreement. We do not consider the Agreement properly reflects the value of the exhibition organisation business of Sage if it were made available for sale to other interested parties.

Yours sincerely,

Merle A. Hinrichs
Chairman and Chief Executive Officer
Global Sources Ltd.

Hong Kong
22 February 2011

About Global Sources

Global Sources is a leading business-to-business media company and a primary facilitator of trade with Greater China. It offers the most extensive range of media and export marketing services in the industries it serves. A significant part of its business is trade shows and exhibitions and in the nine months to 30 September 2010, revenue of US$39.6 million was derived from this activity.

Global Sources is a public company listed on NASDAQ and as at 18 February 2011 had a stock market capitalisation of US$379.8 million. Based on the unaudited consolidated balance sheet of Global Sources as at 30 September 2010, the group had cash and cash equivalents of US$85.3 million as of this date. Global Sources has been expanding its exhibition and trade show business. It held 57 shows in 2010 compared with 30 in the previous year. In addition to organic growth, we are constantly looking for acquisitions in the exhibition and trade show sector.