

GLOBAL SOURCES LTD /BERMUDA
Form 20-F
June 25, 2008

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

FORM 20-F

(Mark One)

Registration Statement Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

OR

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2007.

OR

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

OR

Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Date of event
requiring this shell company report 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.
(Translation of Registrant's name into English)

Bermuda
(Jurisdiction of incorporation or organization)

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

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

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:

46,702,092 common shares, \$0.01 par value, outstanding as of April 30, 2008.

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

Yes No

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

Yes No

Note-Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Item 17 Item 18

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

Yes No

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

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

Yes No

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FORWARD-LOOKING STATEMENTS

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

These risks include:

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

– (Not applicable)

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

– (Not applicable)

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ITEM 3.

KEY INFORMATION

Selected Financial Data

The following historical financial information should be read in conjunction with the section entitled “Operating and Financial Review and Prospects” and our audited consolidated financial statements and related notes, which are included elsewhere in this document. The consolidated statements of income data for each of the three years ended December 31, 2005, 2006 and 2007 and selected consolidated balance sheet data as of December 31, 2006 and 2007 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, 2003 and 2004 and selected consolidated balance sheet data as of December 31, 2003, 2004 and 2005 are derived from our audited financial statements not included in this document.

	Year Ended December 31,				
	2003	2004	2005	2006	2007
	(In U.S. Dollars Thousands, Except Per Share Data)				
Income Statement Data:					
Revenue:					
Online and other media services	\$ 87,685	\$ 92,325	\$ 97,062	\$ 113,097	\$ 125,818
Exhibitions	3,327	13,010	14,300	42,122	51,608
Miscellaneous	657	511	832	1,262	4,633
Total revenue	91,669	105,846	112,194	156,481	182,059
Operating expenses:					
Sales (Note 1)	30,436	30,582	34,415	50,380	61,773
Event production	930	3,774	3,920	18,414	20,155
Community (Note 1)	13,251	17,983	20,726	24,885	27,086
General and administrative (Note 1)	28,549	31,395	34,666	38,945	44,167
Online services development (Note1)	5,269	4,564	4,235	4,499	5,703
Amortization of software costs and intangibles	4,453	1,480	1,335	1,250	193
Total operating expenses	82,888	89,778	99,297	138,373	159,077
Income from operations	\$ 8,781	\$ 16,068	\$ 12,897	\$ 18,108	\$ 22,982
Interest and dividend income	122	219	1,624	5,571	6,595
Gain (loss) on sale of available-for-sale securities	(40)	1,120	977	309	2,937
Gain on sale of shares to minority shareholder and interest income thereon	—	—	—	7,906	—
Loss on investment, net	—	—	—	(743)	(1,846)

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Impairment of goodwill and intangible assets	—	—	—	—	(3,101)
Foreign exchange gains (losses), net	—	240	(80)	(714)	(1,213)
Income before income taxes	8,863	17,647	15,418	30,437	26,354
Income tax expense	(668)	(651)	(759)	(899)	(328)
Net income before minority interest	\$ 8,195	\$ 16,996	\$ 14,659	\$ 29,538	\$ 26,026
Minority interest	(861)	(1,227)	(1,281)	(1,909)	(2,027)
Net income before cumulative effect of change in accounting principle	\$ 7,334	\$ 15,769	\$ 13,378	\$ 27,629	\$ 23,999
Cumulative effect of change in accounting principle	—	—	—	251	—
Net income	\$ 7,334	\$ 15,769	\$ 13,378	\$ 27,880	\$ 23,999
Basic net income per common share before cumulative effect of change in accounting principle	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.59	\$ 0.52
Cumulative effect of change in accounting principle	—	—	—	\$ 0.01	—
Basic net income per common share	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.60	\$ 0.52
Diluted net income per common share before cumulative effect of change in accounting principle	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.59	\$ 0.51

	Year Ended December 31,				
	2003	2004	2005	2006	2007
(In U.S. Dollars Thousands, Except Per Share Data)					
Cumulative effect of change in accounting principle	—	—	—	\$ 0.01	—
Diluted net income per common share	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.60	\$ 0.51
Cash dividends declared per share	—	—	—	—	—
Shares used in basic net income per common share calculations (Note2)	41,148	40,759	43,711	44,692	45,001
Shares used in diluted net income per common share calculations(Note2)	41,155	40,813	43,766	44,748	45,163
Basic net income per non-vested restricted share before cumulative effect of change in accounting principle	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.59	\$ 0.52
Cumulative effect of change in accounting principle	—	—	—	\$ 0.01	—
Basic net income per non-vested restricted share	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.60	\$ 0.52
Diluted net income per non-vested restricted share before cumulative effect of change in accounting principle	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.59	\$ 0.51
Cumulative effect of change in accounting principle	—	—	—	\$ 0.01	—
Diluted net income per non-vested restricted share	\$ 0.17	\$ 0.37	\$ 0.29	\$ 0.60	\$ 0.51
Cash dividends declared per share	—	—	—	—	—
Shares used in basic net income per non vested restricted share calculations (Note2)	1,235	1,633	1,783	1,790	1,560
Shares used in diluted net income per non-vested restricted share calculations (Note2)	1,235	1,633	1,783	1,790	1,823

	December 31,				
	2003	2004	2005	2006	2007
(In U.S. Dollars Thousands)					
Balance Sheet Data:					
Cash and cash equivalents	\$ 26,227	\$ 41,195	\$ 112,153	\$ 135,093	\$ 197,825
Available-for-sales securities	35,140	10,172	6,150	20,702	—
Total assets	82,541	92,525	171,680	220,889	271,808
Net assets	31,664	50,433	105,432	136,564	169,633
Long-term debt, less current portion	12,384	2,214	1,091	2,307	5,217

Total shareholders' equity	27,980	45,523	99,241	133,651	164,693
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(Note Non-cash compensation expenses associated with the employee equity compensation plans and Directors

- 1) Purchase Plan included under various categories of expenses are approximately as follows: sales expenses: \$4,286 (2006: \$1,790, 2005: \$505, 2004: \$626, 2003: \$323), community: \$269 (2006: \$145, 2005: \$103, 2004: \$93, 2003: \$96), general and administrative: \$2,874 (2006: \$1,950, 2005: \$1,025, 2004: \$1,066, 2003: \$691), and online services development expenses: \$347 (2006: \$181, 2005: \$315, 2004: \$332, 2003: \$309)

- (Note On March 5, 2007, we announced a one for ten bonus share issue on our outstanding common shares. For a further discussion on the bonus shares, please see Note 27 of our consolidated financial statements appearing elsewhere in this annual report. Fractional shares were rounded up resulting in an additional 424 common shares upon distribution of the bonus shares on April 16, 2007. On December 20, 2007, we once again announced a one for ten bonus shares issue on our outstanding common shares. All common shares and per-share amounts have been retroactively adjusted to reflect the one for ten bonus share issue for all periods presented. For a further discussion on the bonus shares, please see Note 31 of our consolidated financial statements appearing elsewhere in this annual report. Fractional shares were rounded up resulting in an additional 767 common shares upon distribution of the bonus shares on February 1, 2008.

Risk Factors

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

Exports from mainland China are key to our current and future revenue growth and uncompetitive cost conditions in this market, or a potential backlash against mainland Chinese-made products arising from consumer standard concerns, could reduce our revenue and seriously harm our business.

Mainland China is the largest supplier of consumer products to the world. Our actual and potential customers are mainly suppliers who are based in mainland China. Should mainland China manufacturers' production costs go up substantially (for example, due to the further appreciation of the Chinese Renminbi ("RMB"), wage and product input price inflation, reduced export rebates and new environment or labor regulations),

products from mainland China may become less competitive on price. If products from mainland China become less competitive on price, it would likely have a negative impact on the demand in mainland China for our various export-focused media and marketing services.

During 2007, there were several highly publicized incidents involving products made in mainland China not meeting consumer standards in overseas markets. If this continues or worsens, there may be a strong backlash against products made in mainland China and our business may consequently suffer.

The mainland China market is key to our current and future revenue growth and political instability in this market could reduce our revenue and seriously harm our business.

Our customers in mainland China provided approximately 53% of our total revenues in fiscal 2006, and approximately 60% of our total revenues in fiscal 2007, and we believe our operations in mainland China will continue to grow for the next several years. Our dependence on the mainland China market and its revenues is significant, and adverse political, legal or economic changes in mainland China may harm our business and cause our revenues to decline.

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

The international markets, and in particular the Greater China region (which includes mainland China, Hong Kong and Taiwan), in which we do business are subject to political, legal and economic instability, which may interfere with our ability to do business, increase our costs and decrease our revenues.

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

- fluctuations in regional economic conditions;
 - political instability;
 - the threat of terrorist attacks;
- conflicting and/or changing legal and regulatory requirements;
- restrictions placed on the operations of companies with a foreign status;
 - significant changes in tax rates and reporting requirements;
- governments could increase trade protection measures including tariffs, quotas, import duties or taxes, thereby significantly reducing demand for imported goods;

- the loss of revenues, property and equipment from expropriation, nationalization, war, insurrection, terrorism and other political risks;
 - adverse governmental actions, such as restrictions on transfers of funds;
 - oil embargoes or significant increases in oil prices; and

- fluctuations in currency exchange rates.

In 2007, we derived approximately 91% of our revenues from customers in the Greater China region. We expect that a majority of our future revenues will continue to be generated from customers in this region. At the time of the Asian economic crisis of 1997 and 1998, our revenues and operating results were adversely affected, and both our sales and revenues declined. If there is future political, legal or economic instability in the Greater China region, our business may be harmed and our revenues may decrease.

Because we operate internationally, foreign exchange rate fluctuations may have a material impact on our results of operations. To the extent significant currency fluctuations occur in Asian currencies, our revenues and profits may be affected, relative to the U.S. Dollar. At the time of the Asian economic crisis of 1997 and 1998, certain of our contracts were denominated and priced in foreign currencies. The conversion of these contract proceeds into U.S. Dollars resulted in losses and is indicative of the foreign exchange risk assumed by us.

Recently, the RMB has been appreciating versus the U.S. Dollar and other currencies and is expected to continue appreciating. Although we bill in RMB and have expenses in RMB in mainland China, the continuing appreciation of the RMB could have an adverse effect on our financial condition. If RMB continues to appreciate, our current and potential supplier customers may become less competitive with suppliers from other regions, leading to less demand for our advertising services.

Currently, we do not hedge our exposure to foreign currency fluctuations.

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

The revenue growth and profitability of our business depends significantly on the overall demand for business-to-business media services and especially online marketplace services, trade publications and trade shows. We believe that the demand for these services is subject to the potentially negative impact by a number of factors, including the overall weakening of the global economy, where for example consumer spending has declined in the United States and Western Europe, and may decline further. Such situations and events may give rise to a number of trends that adversely affect our business and revenues.

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

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

- quarantine or travel restrictions (whether required by government or public health authorities, or self-imposed) could result in the closure of some of our offices and other disruptions to our operations;
 - sickness or death of our key officers and employees;
 - a general slowdown in international trade and the global economy;
 - our trade shows may have to be cancelled; and

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

Our inability to sustain and/or increase our average revenue per customer could adversely affect our operating results.

The market for print, online and trade show services has fluctuated over the past few years. We sell our products separately and in various combinations. If we are unable to maintain or increase average revenue

per customer and/or make up for any decline in average revenue per customer by increasing our total number of customers, our business could suffer. Similarly, if we are unable to maintain and/or increase historic pricing levels for advertising on our websites and in our trade journals and for booths at our trade shows, our revenues could be adversely affected.

We depend upon Internet search engines and other online marketing channels (such as “pay per click” marketing) to attract a significant portion of the users who visit our websites, and if we were listed less prominently in Internet search result listings, or if we are unable to rely on our other online marketing channels as a cost-effective means of driving visitors to our websites, our business and operating results could be harmed.

We derive a significant portion of our website traffic from users who search for content through Internet search engines, such as Google, MSN, Baidu and Yahoo! A critical factor in attracting users to our websites is whether we are prominently displayed in such Internet search results.

Search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search engine. The algorithms determine the order of the listing of results in response to the user's Internet search. From time to time, search engines revise these algorithms. In some instances, these modifications may cause our websites to be listed less prominently in unpaid search results, which will result in decreased traffic from search engine users to our websites. Our websites may also become listed less prominently in unpaid search results for other reasons, such as search engine technical difficulties, search engine technical changes and changes we make to our websites. In addition, search engines have deemed the practices of some companies to be inconsistent with search engine guidelines and have decided not to list their websites in search result listings at all. If we are listed less prominently or not at all in search result listings for any reason, the traffic to our websites will likely decline, which could harm our operating results. If we decide to attempt to replace this traffic, we may be required to increase our marketing expenditures, which also could harm our operating results.

We also rely on other cost-effective online marketing channels (such as “pay per click” marketing) as an increasingly important means of driving visitors to our websites. However, the cost of such online marketing channels can change very frequently (often daily), and it is unclear whether such online marketing channels will remain cost-effective for us. If we are unable to rely on such online marketing channels as a cost-effective means of driving visitors to our websites, our business and operating results could be harmed; or if we continue to rely on such marketing channels despite their increased costs, our marketing expenditures will increase, which also could harm our operating results.

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

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

None of the suppliers that currently pay to use our services are under any long-term contractual obligation to continue using our services. Generally, their advertising contracts with us for our online and print media are for 6 to 12 months in duration, while their booth contracts with us for our China Sourcing Fairs are for 2 years. A significant percentage of our customers do not renew their contracts and we experience high customer turnover from year to year. If we cannot replace non-renewing customers with new customers, our business could be adversely affected.

Our industry is intensely competitive, evolving and subject to rapid change, where if we are unable to compete effectively we will lose current customers and fail to attract new customers.

Our industry is intensely competitive. Barriers to entry are minimal, and competitors are able to launch new websites and other media at a low cost. We constantly face threats from competition, including from non-traditional competitors and new forms of media. Competition is likely to result in price reductions, reduced

margins and loss of market share, any one of which may harm our business. We compete for our share of customers' marketing and advertising budgets with other online marketplaces, trade publications and trade shows. Competitors vary in size, geographic scope, industries served and breadth of the products and services offered. We may encounter competition from companies which offer more comprehensive content, services, functionality and/or lower prices. The marketing and pricing decisions of our competitors strongly influence our business. Increased competition in the industry has caused significant downward pricing pressure. To the extent that potential and existing customers make decisions solely or primarily on price, we may be unable to retain existing customers or attract new customers, or we may be forced to reduce prices to keep existing customers or to attract new customers.

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

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

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

If we do identify and consummate an acquisition, joint venture or alliance, there is still a risk that we may not be able to integrate any new businesses, products or technologies into our existing business and operations. Alternatively, even if we are successful in integrating any new businesses, products or technologies into our existing business, we may not achieve expected results, or we may not realize other expected benefits.

The costs associated with potential acquisitions or strategic partnerships could dilute your investment or adversely affect our operating results.

In order to finance acquisitions, investments or strategic partnerships, we may use equity securities, debt, cash, or a combination of the foregoing. Any issuance of equity securities or securities convertible into equity may result in substantial dilution to our existing stockholders, reduce the market price of our common stock, or both. Any debt financing is likely to have financial and other covenants based on our performance or results, and there could be an adverse impact on us if we do not achieve the covenanted performance or results. In addition, the related increases in expenses could adversely affect our results of operations.

Various factors outlined below could adversely affect our ability to operate our China Sourcing Fair trade show business successfully and we can give no assurances that this business will be instrumental to our success.

In 2007, our China Sourcing Fairs accounted for approximately 88% of our total exhibitions revenue and have contributed substantially to our growth and success. The first China Sourcing Fair was held in Shanghai in 2003, the first of our series of China Sourcing Fairs in Hong Kong was launched in April 2006, the first of our series of China Sourcing Fairs in Dubai was launched in June 2007, a new series of China Sourcing Fairs in mainland China focusing on serving mainland China's domestic market was launched in December 2007, and a new series of China Sourcing Fairs in Mumbai is scheduled for launch in November 2008. Our China Sourcing Fairs in Dubai, the domestic China Sourcing Fairs in mainland China and the China Sourcing Fairs in Mumbai are new business initiatives and we are

uncertain as to our ability to attract the quality and quantity of exhibitors and buyers that would enable these trade shows to be successful.

In addition, there are substantial and long-established trade shows in Hong Kong and southern mainland China, which compete with our China Sourcing Fairs in Hong Kong, and which are expected to have access

to expanded venue space from 2008 and 2009. Because of these expanded venues, we may not be able to attract the desired quantity and quality of exhibitors and buyers.

Also, because of the uncertainty of launching new trade shows and the competition, we may not achieve our desired sales objectives. Furthermore, in an effort to rapidly grow our trade show business, additional personnel were hired and additional capital expended. We may be unable to effectively execute the operations, which would jeopardize our ability to be successful in the trade show business.

Our various trade show businesses also require us to make substantial non-refundable deposits and progress payments to secure venue dates far in advance of our conducting the trade show. In addition, the date and location can greatly impact the profitability. The market for desirable dates and locations is highly competitive. If we cannot secure desirable dates and locations for our trade shows, their profitability and future prospects would suffer, and our financial condition and results of operations would be materially and adversely affected.

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

- the spread of SARS, avian influenza and other similar epidemics;
 - political instability and the threat of terrorist attacks;
- conflicting and/or changing legal and regulatory requirements;
- natural catastrophes, labor strikes and transportation shutdowns;
 - decrease in demand for booth space;
- particularly in mainland China, we may not always be able to obtain the required trade show licenses, which may limit the number of trade shows we are able to hold;
 - competing trade shows;
- our sales representative companies' inability to effectively expand their staff and infrastructure;
 - inability to renew our venue contracts on favorable terms or at desired times; and
 - a possible slowdown in product demand from outlet markets.

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

Even though we may increase our revenues, our margins and profits may not increase.

Even if we are able to grow our revenue, this does not necessarily translate to a growth of our margins and profits, which may or may not increase at all.

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

Our executive officers and key employees are critical to our business. Our executive officers and key personnel may not remain with us and their loss may negatively impact our operations, and may reduce our revenues and cash flows. In particular, the services of our chief executive officer, chief financial officer, chief operating officer and chief information officer are important to our operations. If competitors hire our key personnel, it could allow them to compete more effectively by diverting customers from us and facilitat-

ing more rapid development of their competitive offerings. We do not maintain key man insurance on any of our executive officers.

We may not be able to attract, hire and retain qualified personnel cost-effectively, which could impact the quality of our content and services and the effectiveness and efficiency of our management, resulting in increased costs and losses in revenues.

Our success depends on our ability to attract, hire and retain at commercially reasonable rates, qualified technical, sales support management, marketing, customer support, financial and accounting, legal and other managerial personnel. The competition for personnel in the industries in which we operate is intense. Our personnel may terminate their employment at any time for any reason. Loss of personnel may also result in increased costs for replacement hiring and training. If we fail to attract and hire new personnel or retain and motivate our current personnel, we may not be able to operate our businesses effectively or efficiently, serve our customers properly or maintain the quality of our content and services.

We rely on independent sales representative companies for the sales and marketing of our products and services and the loss of any significant sales representative company or employees of a sales representative company, or if the sales representative company cannot expand its number of employees as anticipated, it would harm our business and revenues.

We have agreements with various sales representative companies that employ sales representatives. Seven sales representative companies in mainland China are responsible for approximately 60% of our total revenues for the year ended December 31, 2007. Generally, either we or the sales representative companies may terminate the service agreement between them and us upon short notice. It is possible that we may not retain some of our sales representative companies, or they may not retain some of their sales personnel (due to competition from other companies in hiring and retaining sales personnel) or be able to replace them with equally qualified personnel. Furthermore, if a sales representative company terminates its agreement with us, some of our customers with a direct relationship with that sales representative company or its personnel may terminate their relationship with us. Although these sales representative companies and their employees are independent from us, there can be no assurance that our reputation and our business will not be harmed by their acts or omissions. If sufficient numbers of employees are not recruited, properly trained, integrated, motivated, retained and managed by these sales representative companies, or if they perform poorly, or if our relationship with these sales representative companies fail or deteriorate, our business may be harmed.

Our China Global Sources Online website, which we recently launched to facilitate trade in mainland China's domestic market, has yet to generate revenue and may not ever be profitable.

We have launched our China Global Sources Online website in November of 2007 to facilitate trade in mainland China's domestic market. We have not generated any revenues since our launch and may not ever achieve revenue. We may not have sufficient access to capital to develop and market the China Global Sources Online website and we give no assurances that our operation of this business will be incremental to our growth. We cannot be sure that the China Global Sources Online website will generate any operating revenues or ever achieve profitable operations and its failure could have a materially adverse effect on our financial condition.

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

Our direct online sales business, primarily referred to by us as "Global Sources Direct", is a relatively new business, having started in 2006, both for us and for most of the suppliers we are targeting as potential customers. The lack of an established history and track record for this new sales channel, both on our part and in the industry, may make it

difficult for us to successfully market this service to, and attract and maintain, a sufficient number of customers that we would need in order to grow the direct online sales business to a scale that would be profitable for us.

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

- We utilize credit card payment processes. Under the terms of our arrangements with the credit card payment processors, they are entitled to charge back amounts to us in the event of any fraudulent or disputed transaction. They may also decide to withhold or delay fund payments to us for an indefinite period, or even discontinue their arrangements with us, if the charge back rate is too high or frequent.
- We use various third parties' online services (for example, for hosting and payment processing), and any disruptions to their services may adversely affect our own ability to complete transactions or may cause other disruptions to our own service.
- Online fraud and fraudulent orders are potential risks. We may not have detected or been aware of, or be able to detect in the future, such fraudulent transactions, and if we act pursuant thereto (for example, by shipping products under a fraudulent order), we may subsequently be unable to collect payment, be required to refund payments, or be liable for the costs or losses related thereto.
- We rely on the quality of our suppliers' products being acceptable to buyers, and therefore conduct (or engage third parties to conduct) inspections of those products. It is possible, however, that we will pay a supplier for its product before the buyer receives delivery of the product. Hence, if despite our (or the third parties') inspection efforts, or if we (or the third parties) fail to conduct inspections properly or at all and, any defects or inferior quality of the products are not spotted, the buyer may return such products. In such cases, we may have difficulty recovering our funds from the supplier and incur a loss.
- We have a growing number of competitors who may be able to source and/or sell more effectively than us.

We may not innovate at a successful pace, which could harm our operating results.

Our industry is rapidly adopting new technologies and standards to create and satisfy the demands of users and advertisers. It is critical that we continue to innovate by anticipating and adapting to these changes to ensure that our content-delivery platforms and services remain effective and interesting to our users, advertisers and partners. In addition, we may discover that we must make significant expenditures to achieve these goals. If we fail to accomplish these goals, we may lose users and the advertisers that seek to reach those users, which could harm our operating results.

We may not have sufficient access to capital to enter into acquisitions, joint ventures and alliances, or to expand our business, or to take advantage of organic growth opportunities.

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

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

Our sales representatives in mainland China plan to increase substantially the number of sales representative team members in mainland China in order to help us in pursuing our business objectives. Our success will depend in part upon the ability of this growth to be implemented and managed effectively. To do this, additional new sales representative team members must be recruited and trained. If new sales representative team members perform poorly, or if their training and management is unsuccessful, or if our relationships with existing sales representative team

members fail, our business may be harmed. To manage the expected growth of our operations, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. If we fail to manage our growth successfully, we will be unable to achieve our business objectives.

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 unpredictable and may have delays associated with the lengthy budgeting and approval processes of our customers. This lengthy sales and implementation cycle may affect our ability to estimate our revenue in future quarters and could cause delays in revenue growth.

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

We may be subject to legal claims relating to the content on Global Sources Online or our other websites, or the downloading and distribution of such content, as well as legal claims arising out of the products or companies featured in our trade publications and at our tradeshow. Claims could involve matters such as libel and defamation, negligent mis-statements, patent, trademark, copyright and design infringement, fraud, invasion of privacy or other legal theories based on the nature, creation or distribution of our content (for example, the use of hypertext links to other websites operated by third parties). Media companies have been sued in the past, sometimes successfully, based on the content published or made available by them. Like many companies in our industry, we have received notices of claims based on content made available on our website. In addition, some of the content provided on Global Sources Online is manually entered from data compiled by other parties, including governmental and commercial sources, and this data may have errors, or we may introduce errors when entering such data. If our content is improperly used or if we supply incorrect information, our users or third parties may take legal action against us. In addition, we may violate usage restrictions placed on text or data that is supplied to us by third parties. Regardless of the merit of such claims or legal actions, they could divert management time and attention away from our business, result in significant costs to investigate and defend, and damage our reputation (which could result in client cancellations or overall decreased demand for our products and services), thereby harming our business, financial condition and operating results. In addition, if we are not successful in defending against such claims or legal actions, we may be liable to pay substantial damages. Our insurance may not cover claims or legal actions of this type, or may not provide sufficient coverage.

We may be subject to legal liability for the verification services that we offer to buyers and suppliers.

We offer verification services (by ourselves and/or through third parties whom we engage) to buyers in respect of certain of our supplier customers, and to suppliers in respect of their buyers. The verification services which we offer to buyers in respect of suppliers include: verification of a supplier's company and business details; supplier credit profiles and credit reports; and supplier capability assessment and product inspection reports. The verification services which we offer to suppliers in respect of buyers include: buyer trade profile reports and company background and contact information. We may be subject to legal claims and actions for any inaccurate, erroneous, incomplete or misleading information provided in connection with such verification services. While we may have liability disclaimers associated with such verification services, such liability disclaimers may nevertheless be insufficient to deter a complainant from attempting to raise a claim or to institute legal action against us, or may be held by a court to be invalid or unenforceable. As for those verification services which are not provided directly by us but by third parties engaged by us, a complainant may nevertheless attempt to hold us responsible for such third parties. Regardless of the merit of any such claims or legal actions, they could divert management time and attention away from our business, result in significant costs to investigate and defend, and damage our reputation (which could result in client cancellations or overall decreased demand for our products and services), thereby harming our business, financial condition and operating results. In addition, if we are not successful in defending against such claims or legal actions, we may be liable to pay substantial damages. Our insurance may not cover claims or legal actions of this type,

or may not provide sufficient coverage.

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 and ability to compete are dependent in part upon our proprietary technology, content and information databases, the goodwill associated with our trademarks, and other intellectual property rights. We have relied on a combination of copyright, trade secret and trademark laws and non-disclosure and other contractual restrictions to protect ourselves. However, our efforts to protect our intellectual property rights

may not be adequate. Although we have filed (and continue to file) applications for and have obtained registration of many of our key trademarks in various jurisdictions, we may not always be able to obtain successful registrations. Our competitors may independently develop similar technology or duplicate our software and services. If others are able to develop or use technology and/or content we have developed, our competitive position may be negatively affected.

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

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

Litigation may be necessary to enforce our intellectual property rights, protect trade secrets, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. Intellectual property laws provide limited protection. Moreover, the laws of some foreign countries do not offer the same level of protection for intellectual property as the laws of the United States. Such laws may not always be sufficient to prevent others from copying or otherwise obtaining and using our content, technologies, or trade marks. In addition, policing our intellectual property rights worldwide is a difficult task, and we may be unable to detect unauthorized use of our intellectual property or to identify infringers. Litigation may result in substantial costs and diversion of resources, regardless of its outcome, which may limit our ability to develop new services and compete for customers.

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

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

We may not have, in all cases, conducted formal or comprehensive investigations or evaluations to confirm that our content and trade marks do not or will not infringe upon the intellectual property rights of third parties. As a result, we cannot be certain that we do not or will not infringe upon the intellectual property rights of third parties. If we are found to have infringed a third party's intellectual property rights, the value of our brands and our business reputation could be impaired, and our business could suffer.

Evolving regulation of the Internet and commercial e-mail may affect us adversely.

As Internet commerce continues to evolve, increasing legislation and regulation by governments and agencies become more likely. We use e-mail as a significant means of communicating with our existing and potential customers and users. We also provide "@globalsources.com" e-mail addresses to our clients, for their use. The laws and regulations governing the use of e-mail for marketing purposes continue to evolve, and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation and/or changes to existing laws.

Existing, new or additional legal prohibitions on the transmission of unsolicited commercial e-mail (commonly known as “spam”), coupled with aggressive enforcement, could reduce our ability to promote our services in a cost-efficient manner and our ability to facilitate communications between suppliers and buyers and, as a result, adversely affect our business.

In addition to legal restrictions on the use of e-mail, Internet service providers, various operators of Internet mailbox services, anti-spam organizations and others typically attempt to block the transmission of unsolicited e-mail and are increasing the number and volume of unsolicited e-mails they are blocking. With this increasing vigilance also comes an increased rate of “false positives”, i.e. legitimate e-mails being wrongly identified as “spam”. If an Internet or other service provider or software program identifies e-mail from us (or from our clients to whom we have provided “@globalsources.com” e-mail addresses) as “spam”, we could be placed on a restricted list that would block our e-mails to our actual or potential customers or users who maintain e-mail accounts with these Internet service or other providers or who use these software programs or our e-mails could be routed to bulk folders and ignored. If we are unable to communicate by e-mail with our actual or potential customers or users as a result of legislation, blockage of our e-mails, routing of our e-mails to bulk folders, or otherwise, our business, operating results and financial condition could be harmed.

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

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

Changes in regulations could adversely affect our business and results of operations.

It is possible that new laws and regulations or new interpretations of existing laws and regulations in the United States, the European Union, mainland China and elsewhere will be adopted covering issues affecting our business, including:

- privacy, data security and use of personally identifiable information;
- copyrights, trademarks and domain names; and
- marketing practices, such as e-mail or direct marketing.

Increased government regulation, or the application of existing laws to online activities, could:

- decrease the growth rate of our business;
- reduce our revenues;
- increase our operating expenses; or
- expose us to significant liabilities.

Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is still evolving. Therefore, we might be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Any

impairme in the value of these important assets could cause our stock price to decline. We cannot be sure what effect any future material non-compliance by us with these laws and regulations or any material changes in these laws and regulations could have on our business, operating results and financial condition.

Changes in laws and standards relating to data collection and use practices and the privacy of Internet users and other individuals could impair our efforts to maintain and grow our audience and thereby decrease our advertising revenue.

We collect information from our users who register for services or respond to surveys. Subject to each user's permission (or right to decline), we may use this information to inform our users of products and services that may be of interest to them. We may also share this information with our advertising clients for those who have granted us permission to share their information with third parties. Governments in various jurisdictions, including the United States, the European Union and Canada, have adopted or proposed limitations on the collection, distribution and use of personal information of Internet users. In addition, growing public concern about privacy, data security and the collection, distribution and use of personal information has led to self-regulation of these practices by the Internet advertising and direct marketing industry, and to increased governmental regulation. Because many of the proposed laws or regulations are in their early stages, we cannot yet determine the impact these regulations may have on our business over time. Although, to date, our efforts to comply with applicable laws and regulations have not hurt our business, additional or more burdensome laws or regulations, including consumer privacy and data security laws, could be enacted or applied to us or our customers. Such laws or regulations could impair our ability to collect user information that helps us to provide more targeted advertising to our users, thereby impairing our ability to maintain and grow our audience and maximize advertising revenue from our advertising clients.

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

We typically experience seasonal quarter-to-quarter fluctuations in our revenue. Buyer's usage of our media and services is typically relatively slower during the summer and year-end vacation and holiday periods. Additionally, our online and trade publication advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year. Currently, most of our largest trade shows are expected to be held in April and October of each year. The net result of the above seasonality is that second and fourth quarter revenues are likely to be substantially higher than the first and third quarter revenues. In 2007, approximately 29% of our revenue was generated during the second quarter and approximately 33% during the fourth quarter. The first quarter accounted for approximately 19% of revenue in 2007 and the third quarter accounted for approximately 19% of revenue in 2007. In addition, certain expenses associated with future revenues are likely to be incurred in the preceding quarters, which may cause profitability to be lower in those preceding quarters. Also, because event revenue is recognized when a particular event is held, we may also experience fluctuations in quarterly revenue based on the movement of annual trade show dates from one quarter to another.

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

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

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 ("Nasdaq"). As of April 30, 2008 we had approximately 953 shareholders, and approximately 13,154,160 shares

that were tradable on the Nasdaq.

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

agement. As a result, these sales may make it more difficult for us to sell equity or equity related securities in the future at a time or price that is appropriate.

Future sales of our common shares could depress the price of the common shares.

Future sales of common shares by us or our existing shareholders could adversely affect the prevailing market price of the common shares. As of April 30, 2008, we had 46,702,092 common shares outstanding, out of which at least 29,318,520 common shares outstanding are beneficially owned by people who may be deemed “affiliates”, as defined by Rule 405 of the Act, and are “restricted securities” which can be resold in the public market only if registered with the Securities and Exchange Commission or pursuant to an exemption from registration.

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

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

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

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

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

As of April 30, 2008, Merle A. Hinrichs beneficially owned 61.2% of our common shares. Accordingly, Mr. Hinrichs controls the power to elect our directors, to appoint new management and to oppose actions requiring shareholder

approval, such as adopting amendments to our articles of incorporation and approving mergers or sales of all or substantially all of our assets. Such concentration of ownership may have the effect of delaying or preventing a change of control even if a change of control is in the best interest of all sharehold-

ers. In addition, Mr. Hinrichs may still effectively control our company even if his share holdings are significantly reduced. There may be instances in which the interest of our controlling shareholder may conflict with the interest of a holder of our securities.

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

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

The failure of our computer systems, network and communications hardware and software could materially and adversely affect our business and results of operation.

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

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

Although we support the integrity of our security with IDS (Intrusion Detection Systems), anti-virus and other tools as a precaution against hackings, denial-of-service and other cyber intrusions, such security systems and programs are not completely foolproof or error-free, and new updates to deal with the latest viruses or security threats may not yet be available or may not yet have been implemented. Hence, security breaches could still occur, and we cannot give any assurances that we will always be able to prevent individuals from gaining unauthorized access to our servers. Any such unauthorized access to our database servers, including abuse by our employees, could result in the theft of confidential customer or user information contained in our database servers. If such confidential information is compromised, we could lose customers or become subject to liability or litigation and our reputation could be harmed, any of which could materially and adversely affect our business and results of operations.

The failure of outside parties to meet committed service levels and information accuracy expectations may make our services less attractive to customers and harm our business.

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

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

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

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

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

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

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

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

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

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

Because we are governed by Bermuda law rather than the laws of the United States and our assets are outside 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 under the laws of Bermuda. In addition, certain of our directors and officers reside outside the United States and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to realize against them

judgments of courts of the United States predicated upon civil liabilities under the United States federal securities laws. We have been advised by our legal counsel in Bermuda, Appleby Services (Bermuda) Ltd., that there is doubt as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon U.S. federal securities laws, although Bermuda courts will enforce foreign judgments for liquidated amounts in civil matters subject to certain conditions and exceptions.

We may not pay cash dividends in the foreseeable future.

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

ITEM 4. INFORMATION ON THE COMPANY

History and Development of the Company

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

While our core business facilitates exports from Asia (with a particular focus on Greater China, which includes mainland China, Hong Kong and Taiwan) to the world, we also facilitate trade from the world to Asia (with a particular focus on Greater China). In 1985, we launched Electronics News for China for this purpose. Today we have several publications, their associated websites plus events and conferences that provide information to electronic engineers and executives at manufacturing companies in Greater China and throughout Asia.

Realizing the importance of the Internet, we became one of the first providers of business-to-business online services by launching Asian Sources Online in 1995. In 1999, we changed the name of Asian Sources Online to Global Sources Online.

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

Our capital expenditures during the year ended December 31, 2007, 2006 and 2005 amounted to \$11.3 million, \$4.9 million and \$7.3 million respectively. For 2007, such expenditure was incurred mainly for purchase of office premises in China, computers, software, leasehold improvements, office furniture and software development. For 2006, such expenditure was incurred mainly on computers, software, leasehold improvements, office furniture and software development. For 2005, such expenditure was incurred mainly on office premises, computers, software, leasehold improvements, office furniture and software development. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed during the year ended December 31, 2007, 2006 and 2005 amounted to \$0.3 million, \$0.002 million and \$0.9 million respectively.

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

Business Overview

We are a leading business-to-business (B2B) media company that provides information and integrated marketing services, with a particular focus on the Greater China market. Our mission is to facilitate global trade between buyers and suppliers by providing export marketing services and sourcing information. Although our range of media has grown, for more than 37 years we have been in the same primary business of helping buyers worldwide find products and suppliers in Asia (with a particular focus on Greater China).

Buyers rely on our media to stay current with available purchasing opportunities. Suppliers use our media to find new buyers and markets for their products. We believe we offer the most extensive range of media and export marketing services in the industries we serve. Suppliers using our four primary channels – online

marketplaces, print magazines, trade shows and direct online sales – are supported by our advertising creative services, education programs and online content management applications.

We have a significant presence across a number of industry sectors including electronics, fashion accessories, hardware and gifts. We are particularly strong in facilitating China's two-way trade of electronics, China's largest import and export sector.

We serve an independently certified community of over 657,000 active members (as of the end of 2007) in more than 200 countries and territories. This buyer community has more than tripled in size from 209,000 at the end of 2000. During 2007, buyers sent more than 27 million sales leads, or requests for information (RFIs) to the 170,000 suppliers listed on Global Sources Online, up from 2.4 million for the year 2000.

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

The following table sets forth our revenue by category for the last three fiscal years:

	Year Ended December 31,		
	2005	2006	2007
	(In U.S. Dollars Thousands)		
Revenue:			
Online and other media services	\$ 97,062	\$ 113,097	\$ 125,818
Exhibitions - trade shows and seminars	14,300	42,122	51,608
Miscellaneous	832	1,262	4,633
	\$ 112,194	\$ 156,481	\$ 182,059

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

	Year Ended December 31,		
	2005	2006	2007
	(In U.S. Dollars Thousands)		
Revenue:			
Asia	\$ 104,746	\$ 146,315	\$ 171,621
United States	6,175	7,610	8,596
Europe	679	1,571	242
Others	594	985	1,600
Consolidated	\$ 112,194	\$ 156,481	\$ 182,059

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at 63% of total revenue during fourth Quarter of 2007. Our revenue is derived from three primary sources:

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

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Other Media Services - We publish trade magazines, which consist primarily of advertisements from suppliers and our independent editorial reports and product surveys. We publish our core trade magazines monthly, and a host of specialized magazines seasonally. We also derive revenue from buyers that subscribe to our trade publications.

- Exhibitions - Trade Shows and Seminars - We launched a new line of trade shows called the China Sourcing Fairs. They offer international buyers direct access to manufacturers in China and other Asian countries. The first fair was held during the fourth quarter of 2003. Future fairs will be held mainly in the second quarter and fourth quarter of each financial year.

Industry Background

Global Trade and the Role of Greater China

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

Greater China is the world's largest merchandise exporter. China, especially, is rapidly expanding as both an exporter and an importer of goods and services. Also, China has overtaken the United States as the world's largest exporter of information and communications technology goods.

China has become a major manufacturer and exporter of a wide range of products, due to its significant labor cost advantages, large population, improving quality controls and increasing amounts of foreign investment. Being admitted to the World Trade Organization in 2001 was a very important turning point for China. Membership led to a dramatic shift in global trade, with more orders flowing to China and away from traditional supply markets.

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

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

The Role of Media in Global Trade

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

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

Buyers rely on media to stay current with all available purchasing opportunities. They use the media to identify and pursue new suppliers with which they can compare both pricing and product quality with their existing suppliers. They also seek to purchase new product lines appropriate to their distribution channels. Buyers choose media based on

the quality and quantity of information relevant to their interests, and on the range and flexibility of the formats and delivery methods.

Most suppliers frequently introduce new products and actively seek new buyers and markets through the use of media. Their objective is to make sure their products are seen by as many potential buyers as possible, and sold to buyers that will provide them the best price and the right order size. Suppliers select media based on the number and quality of buyers reached, and on the reputation of the medium and its cost. Also, particu-

larly in Greater China, creative services for advertising design and English language copywriting play a significant role in media selection. Suppliers measure the return on their promotional investments by the quantity and quality of sales leads, or RFIs, that they receive, and where possible, by the actual orders generated.

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

Trade show organizers generate most of their business from selling booth space to suppliers. Trade shows play a unique role in the sales process since they allow sellers to make face-to-face presentations to buyers and to negotiate and take orders at the booths. In international trade, this is something that cannot be accomplished by online or print media.

Trade magazine publishers garner the vast majority of their revenue from the sale of advertising. Magazines offer buyers the convenience of portability while offering suppliers a proven medium that delivers a targeted audience. Magazine advertising formats are effective since they enable suppliers to do high-impact, display advertising that can strongly position their company and their products. Advertising in trade magazines contributes greatly to making buyers aware that a company is a potential supplier, and if the buyer is in an active sourcing mode, these advertisements often stimulate the buyer to make an inquiry, visit the supplier's website and/or visit the supplier's booth at a trade show.

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

Our Offerings

Our primary business relates to connecting buyers worldwide with suppliers in Asia (with a particular focus on Greater China) and other emerging markets. However, we also enable trade in the other direction with a range of media that facilitate selling to Asia (with a particular focus on Greater China), and we have recently launched online and trade show media for the domestic business-to-business ("B2B") market in China.

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

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

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

Media for Buyers Worldwide

Online Services

Through Global Sources Online, our online marketplace, buyers are able to identify and make inquiries to suppliers. Our primary source of revenue is from suppliers who pay for marketing websites. Each marketing website is comprised of a home page, a company profile and a virtual showroom containing product profile

pages on the supplier's products. Each product profile page contains detailed product information, specifications and full color images. Many suppliers choose to supplement their marketing websites with additional online marketing services. For example, suppliers can sponsor a particular product or other search category and when a buyer searches that category, the supplier's banner advertisement is displayed promoting its products or services, with a link to that supplier's marketing website.

Buyers can reach a large potential supply base on Global Sources Online by searching among, and/or making inquiries to, approximately 170,000 suppliers who are categorized according to the products they can supply. In listing suppliers for a specific product, we give prominence to those who maintain marketing websites with us.

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

Trade Shows

We have ten China Sourcing Fairs scheduled for 2008 in Hong Kong. The shows bring buyers from around the world to meet face-to-face with suppliers. The first China Sourcing Fair was held in Shanghai in October 2003. Our series of China Sourcing Fairs in Hong Kong was first launched in 2006, comprising of Electronics & Components, Fashion Accessories and Gifts & Home Products, which were each held twice – once in the spring and once in the fall. Since 2006 we have added to and modified these product categories and in 2008 we also have shows scheduled to be held in Dubai and in Mumbai.

Trade Publications

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

Direct Online Sales

In 2006, we launched Global Sources Direct. This new initiative enables suppliers to sell their products online – globally through multiple online channels, including our Global Sources Direct website at: <http://www.globalsourcesdirect.com>. The service facilitates the sale of wholesale lots, or what some call LCL or 'less than container load' orders, and enables buyers to import without having to understand or deal with most of the intricacies involved.

Advertising Creative Services

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

China Sourcing Reports

We currently have more than 100 different China Sourcing Reports for sale and published more than 40 of these reports in 2007. Each China Sourcing Report provides extremely detailed, product-specific information on suppliers and supply market conditions throughout Greater China that is based on our factory visits, face-to-face interviews, and detailed questionnaires. Revenue is derived from sales to buyers.

Private Supplier Catalogs

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

Media for Engineers and Executives in Asia

In addition to our primary media, which connect export suppliers in Asia with buyers worldwide, we are a leading provider of information to electronics engineers and executives within Asia. For this segment of our business, we have 29 online and 11 print media, the International IC show and several other conferences and events.

Media for Buyers in China

In the fourth quarter of 2007 we launched an online marketplace and two trade shows for this market. China Global Sources Online was launched at the end of November and is currently offering its services free of charge. Two shows were launched in December in Shanghai: Baby & Children's Products and Fashion Accessories. In 2008, the shows are scheduled to be held, in Shanghai in December.

Business and Growth Strategy

Mission

Global Sources' mission is to connect global buyers and suppliers by providing the right information, at the right time, in the right format.

Our key business objective is to be the preferred provider of content, services, and integrated marketing solutions that enable our customers to achieve a competitive advantage.

Business Strategy

Our business strategy to achieve our objectives is to serve our markets with online, print and trade show media that address our customers' needs at all stages of the buying process.

Growth Strategy

The Global Sources growth strategy is built around the following four key foundations.

1. Market Penetration

Our existing markets offer significant opportunities for further growth. For our export-focused online business, we anticipate continued strong performance, especially from our new Global Sources Online 2.0, which we believe offers the premier search experience in our industry. In January 2008, we added the Six Star ranking system that provides buyers with third-party credit check information on all verified suppliers, plus we introduced an end-to-end repackaging and repricing of our supplier marketing programs. As evidence of market acceptance online revenue from

China increased by 30% in the fourth quarter 2007.

For our China Sourcing Fairs, our objective is to further penetrate the market by increasing the amount of space we rent and the average revenue per booth. We also plan to focus on cross-selling to clients not using our online, print and trade shows – and achieving continued strong growth in China.

2. New Product Development

Our plans include increasingly specialized online marketplaces, trade shows and magazines. We continue to build on the outstanding success of our China Sourcing Fairs and have 6 new shows scheduled in 2008 in

mainland China, Dubai, Hong Kong and India. Regarding specialization, we have established unique market positions for Fashion Accessories, Baby & Children's Products, and Underwear & Swimwear.

3. Expansion into China's Domestic B2B Market

We intend to launch new online, trade show and/or print products for China's domestic market. This is a significant medium-term business opportunity where we intend to leverage our brands, content, sales representatives, expertise and community.

We intend to further extend existing English-language verticals into the China market. For example, we successfully launched trade shows in Shanghai in December 2007 for Fashion Accessories and Baby & Children's Products. Also, we soft-launched China Global Sources Online at www.globalsources.com.cn on November 30, 2007 initially as a free service, and we're rapidly building content and traffic to gain leadership traction.

4. Acquisitions and/or Alliances

We intend to support our growth strategy through acquisitions and/or alliances designed to drive growth and accelerate achievement of our goals. We plan to seek complementary businesses, technologies or products that will help us maintain or achieve market leading positions in particular niche markets.

We have a joint venture with CMP Media and an alliance with Penton Media, and intend to continue seeking similar opportunities where we can create significant operating synergies with an overseas partner by applying our resources, expertise and experience in Greater China.

We believe that success with our objectives and growth strategy should enable Global Sources to achieve its financial targets. Our objective is to deliver superior shareholder returns.

Products & Services

Media for Buyers Worldwide

Online Services

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

Auto Parts & Accessories	Gifts & Premiums
Baby & Children's Products	Hardware & DIY
Computer Products	Home Products
Electronic Components	Machinery
Electronics	Security Products
Fashion Accessories	Sports & Leisure
Garments & Textiles	Telecom Products

Trade Publications

We publish the following industry-specific trade magazines monthly:

Global Sources Gifts & Premiums

Global Sources Auto Parts &
Accessories

Global Sources Baby & Children' Global Sources Hardware & DIY
Products

Global Sources Computer Products Global Sources Home Products

Global Sources Electronic Global Sources Security Products
Components

Global Sources Electronics Global Sources Sports & Leisure

Global Sources Fashion Accessories Global Sources Telecom Products

Global Sources Garments & Textiles

Trade Shows & Exhibitions

Hong Kong

Trade Show / Exhibition	Description
China Sourcing Fair: Gifts & Home Products	<ul style="list-style-type: none"> ·Primary product categories include: gifts & premium;, kitchen & household products; home décor & home textiles; glassware & table ware; arts & crafts; basketware; garden & outdoor; stationery & paper products; sports & leisure. ·Spring and fall 2008 events in Hong Kong.
China Sourcing Fair: Electronics & Components	<ul style="list-style-type: none"> ·Primary product categories include: consumer electronics; digital entertainment; digital video broadcast; in-car electronics; computer & networking; telecom & accessories; WiFi & VoIP products; GPS products; health & personal care electronics; security products; electronics components; interconnection technology; optoelectronics and power supplies. ·Spring and fall 2008 events in Hong Kong.
China Sourcing Fair: Fashion Accessories	<ul style="list-style-type: none"> ·Primary product categories include: handbags, special purpose bags, leather bags, fashion jewelry, hair accessories, footwear, hats and caps, umbrellas, belts, sunglasses, gloves, ties, socks, watches, luggage and legwear. ·Spring and fall 2008 events in Hong Kong.
China sourcing Fair: Underwear and Swimwear	<ul style="list-style-type: none"> ·Primary product categories include: underwear, swimwear and related accessories, sleepwear and fabrics, lace and trimmings, beachwear & assessaires and hosiery. ·Spring and fall 2008 events in Hong Kong.
China Sourcing Fair: Baby & Children's Products	<ul style="list-style-type: none"> ·Hong Kong's First China Sourcing Fair: Baby & Children's Products ·Primary product categories include: clothing and footwear; sleepwear and undergarments; fashion accessories; baby bedding; children's furniture; baby and children's safety products; baby care and bath products; baby feeding products; toys, games and puzzles; children's stationery; children's masks and costumer; and outdoor play equipment. ·Spring and fall 2008 events in Hong Kong.

Media for Asian Engineers and Executives

Online Services

Website	Description
EE Times – Asia Online Network	·Provides industry news, new product information and technical features covering new technology and its application to engineers in China, Taiwan, South Korea, India and countries in the Association of Southeast Asian Nations; websites in traditional and simplified Chinese, English and Korean; and 7 application specific websites for Chinese engineers.

Website	Description
Electronic Design – China Online	· Provides China’s design engineers with access to detailed solutions, methodologies and white papers.
Webinar	· Provides corporate, engineering, procurement and manufacturing management with access to new manufacturing strategies, technology and supplier news.
Chief Executive China Online	· A resource focusing on excellent management practices for China’s business leaders in simplified Chinese.
Elegant Living Online	· Offers wealthy China readers information on how to strike a balance between work and daily life.

Trade Shows

Trade Shows	Description
The 13th Annual International IC-China Conference & Exhibition (IIC-China)	· China’s largest system design event showcasing new IC technologies and the latest application methodology. · Spring 2008 events in China’s key technology hubs Shenzhen, Beijing, Shanghai and Chengdu attracted 36,046 visitors.

The 1st International IC-Taiwan Conference & Exhibition (IIC-Taiwan)	· IIC-Taiwan is the most established technology event in the region building on EDA & Test-Taiwan Conference and Exhibition’s (EDA&T-Taiwan) 15-year track record in the design automation and test space, plus Embedded Systems Conference-Taiwan’s (ESC-Taiwan) seven years of embedded systems coverage. · Co-locates with SEMI Taiwan’s SEMICON Taiwan in September 2008 at Taipei, covering all products and technologies covering electronics development – from design to manufacturing.
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Magazines

Magazine	Description
EE Times - Asia	· Editions published bi-weekly in simplified and traditional Chinese, Korean and English;

provides engineering managers and design engineers in China, Taiwan, South Korea, Singapore and Malaysia with innovative design ideas and in-depth technology analysis.

Electronic Design - China

·Published monthly in simplified Chinese; provides electronics design & development engineers and engineering managers in China with the latest in emerging technology and "how-to" methodologies.

Magazine	Description
Electronics Supply & Manufacturing - China	·Published monthly in simplified Chinese; provides corporate, engineering, procurement and manufacturing management in China with strategic business and technology information.
Global Sources Chief Executive China	·Published monthly in simplified Chinese; serves China's senior management with case studies and information on management techniques and strategies.
Global Sources Elegant Living	·Launched in September 2007, Elegant Living magazine offers wealthy China readers information on how to strike a balance between work and daily life.

Media for Buyers in China

Online Services

China Global Sources Online, (www.globalsources.com.cn) is designed to facilitate China domestic trade and assist overseas firms intent on selling into China. It includes the following vertical marketplaces:

Auto Parts & Accessories	Gifts & Premiums
Baby & Children's Products	Hardware & DIY
Computer Products	Home Products
Electronic Components	Machinery
Electronics	Security Products
Fashion Accessories	Sports & Leisure
Garments & Textiles	Telecom Products

Trade Shows and Exhibitions

Mainland China

Trade Shows / Exhibitions	Description
China Sourcing Fair: Baby & Children's Products	·Highly targeted exhibitions, offering international & mainland China buyers the widest selection of quality products from international and Greater China suppliers. · December 2008 in Shanghai

China Sourcing Fair: Fashion Accessories	·Highly targeted exhibitions, offering international & mainland China buyers the widest selection of quality products from international and Greater China suppliers.
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· December 2008 in Shanghai.

Customers

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

Suppliers

During 2007, 12,941 suppliers paid us for marketing or advertising services and there were 13,829 suppliers who paid us for marketing or advertising services for the period from April 1, 2007 to March 31, 2008. Ap-

proximately 90% of these suppliers were located in Greater China. No individual supplier customer represented more than 1% of our revenue during 2007.

Buyers

For our primary group of media, which connect export suppliers in Asia with buyers worldwide, we serve an independently certified community of more than 657,000 active members in more than 200 countries and territories. This figure is based on procedures to ensure that only buyers who have received a magazine or attended a China Sourcing Fair tradeshow organized by us or who have made an inquiry through the Global Sources Online website within the 12 month period ended December 31, 2007 or registered and double opted-in to receive product alert e-mails as of December 31, 2007 are extracted from the databases. This community is up from approximately 209,000 at the end of 2000.

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

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

Sales and Marketing

Our team member sales organization consists of approximately 1,406 independent representatives in approximately 67 cities worldwide, with 48 of these locations in Greater China. We have a staff of 40 full-time employees that oversee and monitor the independent sales representative organizations that employ these representatives. These organizations operate pursuant to service agreements with us that generally are terminable by either party on short notice. These representatives focus on developing and maintaining relationships with suppliers that are current customers and they seek to increase the number of new suppliers using our services. Substantially all of our contracts with suppliers are entered into directly between the supplier and us. Online services and print advertising revenue is seasonal and tends to be highest in the fourth quarter of each calendar year. Revenue for trade shows is highly seasonal as it is recognized in the month in which each show is held. Our sales representatives collectively make an average of 50,000 supplier visits per month. The largest representative sales offices are located in Beijing, Guangzhou, Shanghai, Shenzhen, Hong Kong and Taipei. Our six sales representative organizations in China accounted for approximately 60% of our total revenue in 2007.

Our marketing strategy leverages our database of approximately 170,000 suppliers currently listed on Global Sources Online. Sophisticated analyses of buyer and supplier profile data enable us to target our sales and marketing programs to new geographic areas and to specific product categories within industry sectors.

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

Content Development

Our content development group, comprised of 514 team members as of December 31, 2007, is responsible for compiling, editing, integrating and processing the content that appears in our online services and print media. Within content development, the advertisement operations and editorial groups compile materials from suppliers and freelance writers, respectively, and transform these materials into the advertising and editorial content. Research teams analyze customer content usage to direct content development and they work with sales representatives and marketing staff to develop appropriate content for new industry sectors. Our site team is responsible for evaluating and integrating content into our online services, as well as maintaining the overall integrity of such services. In addition, members of the content development group manage

the pre-press production work and print production processes associated with the creation of our trade magazines. They also maintain the back-end supplier database, which is the foundation for our online supplier and product information.

Strategic Relationships

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

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

We formed a license-based partnership with a third party to operate a regional online marketing service in South Africa. This enables suppliers within South Africa to promote their products and services to buyers located primarily outside of South Africa.

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

Technology and Systems

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

We have invested \$10.2 million for years 2006 and 2007 combined in online services development.

As of December 31, 2007, we had 160 team members engaged in technology development, maintenance, software customization and data center operations.

As of December 31, 2007, our online marketplace services are run on the Oracle DBMS release 9i and 10g. The catalog application that supports Global Sources Online's core functions uses a Java platform.

Our servers are hosted by AT&T iDC in Hong Kong. We have dual redundant 100Mbps link connection directly to AT&T's IX backbone, while AT&T's IX maintains a 2,697 Mbps link to the United States and direct links to most countries in Asia. We use Overland Enterprise tape back-up systems as well as servers located at our Singapore facility for back-up. We have deployed EMC SAN Enterprise disk storage systems for mission critical data and load balancers and application accelerators for traffic workload balancing, redundancy and response time management respectively.

For the year ended December 31, 2007 our external network had 100% uptime availability.

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

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

Competition

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

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

Intellectual Property

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

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

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

We have registrations for either or both of our “Global Sources” and “China Sourcing Fairs” trademarks in Australia, the European Union, Hong Kong, India, Indonesia, Israel, Mexico, mainland China, Singapore, South Africa, South Korea, Switzerland, Taiwan, Turkey and the United States, and we have applications for either or both these trademarks pending registration in various countries or regions, including India, Indonesia, mainland China, the Philippines, Taiwan, Thailand, the United Arab Emirates and the United States.

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

Government Regulation

Our services are subject to government regulation.

Internet Regulation

There are an increasing number of laws and regulations pertaining to the Internet. In addition, a number of legislative and regulatory proposals are under consideration by federal, state and local and foreign governments and agencies. Laws or regulations may be adopted with respect to the Internet relating to the liability

for information retrieved from or transmitted over the Internet, regulation of online content (or the provision of internet content), the transmission of unsolicited commercial e-mails, user privacy, taxation and the quality of products and services. Moreover, it may take years to determine whether and how existing laws, such as those governing issues relating to intellectual property ownership and infringement, privacy, libel, copyright, trademark, trade secret, design rights, taxation, and the regulation of, or any unanticipated application or interpretation of existing laws, may decrease the use of the Internet, which could in turn decrease the demand for our services, increase our cost of doing business or otherwise have a material adverse effect on our business, financial condition, prospects and operating results.

Regulation of Communications Facilities

To some extent, the rapid growth of the Internet has been due to the relative lack of government intervention in the marketplace in respect of, or due to the relative inadequate development or uncertainty of laws and regulations governing, Internet access. For example, several telecommunications carriers are seeking to have telecommunications over the Internet regulated in the same manner as are certain other telecommunications services. Additionally, local telephone carriers have petitioned or may petition the relevant authorities 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.

Properties

During 2004, we entered into a contract for the purchase of approximately 9,000 square meters of office space in the Shenzhen International Chamber of Commerce Tower in Shenzhen, Guangdong province, China, at a purchase price of approximately \$19.0 million. Full payment of the purchase price was made during 2004, the physical handover of the premises occurred on or around March 30, 2005 and we have received the title certificates. Our usage right in respect of this property is for a period of 50 years, expiring on 7 January 2052, after which the land could revert to the China government. In addition, we generally lease our office space under cancelable and non-cancelable arrangements with terms of two to five years, generally with an option to renew upon expiry of the lease term. We lease in the aggregate approximately 101,169 square feet of executive and administrative offices in China, Hong Kong, the Philippines, Singapore, Dubai and Taiwan. Our aggregate base rental and building management fee payments for the year ended December 31, 2007 were approximately \$1.3 million.

During the first quarter of 2007, we entered into a letter of intent, followed by a purchase agreement, to purchase approximately 1,939.38 square meters of office space in a commercial building known as "Excellence Times Square" in Shenzhen, China, at a purchase price of approximately \$7.0 million, out of which a down-payment of approximately \$0.09 million was made in the first quarter of 2007, with the total remaining balance of approximately \$6.91 million paid in April 2007. Delivery of the office space to us was completed in April 2007.

On May 15, 2008, we entered into a letter of intent to purchase approximately 6,364.50 square meters (gross) of office space in a commercial building known as Shenzhen International Chamber of Commerce Tower in Shenzhen at a price of approximately \$34.0 million, and paid a deposit of approximately \$0.2 million. Should we decide to proceed with the purchase, the final purchase agreement will be signed by July 2008. If we decide not to proceed with the purchase of the said property, the deposit will be forfeited and we have to pay an additional penalty of approximately \$0.9 million.

On June 18, 2008, we entered into a formal sale and purchase agreement to purchase approximately 22,874 square feet (gross) of office space, together with 6 car parking spaces, in a commercial building known as Southmark in Hong Kong, for a total purchase price of approximately \$11.9 million, and have paid a total deposit of approximately \$1.8 million. Completion of the property purchase and payment of the balance of the purchase price, in an amount of approximately \$10.1 million, is scheduled to occur on or before August 4, 2008.

Legal Proceedings

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

ITEM 4A.

UNRESOLVED STAFF COMMENTS

None.

ITEM OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.

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

Overview

We are a leading business-to-business (B2B) media company and a primary facilitator of two-way trade with Greater China. The core business is facilitating trade from Greater China to the world, using a wide range of English-language media. The other key business segment facilitates trade from the world to Greater China using Chinese-language media. We provide sourcing information to volume buyers and integrated marketing services to suppliers. Our mission is to facilitate global trade between buyers and suppliers by providing the right information, at the right time, in the right format. Although our range of media has grown, for more than 36 years we have been in the same basic business of helping buyers worldwide find products and suppliers in Asia.

We believe we offer the most extensive range of media and export marketing services in the industries we serve through our three primary channels – online marketplaces, magazines and trade shows.

We were originally incorporated under the laws of Hong Kong in 1970. In 1971, we launched Asian Sources, a trade magazine to serve global buyers importing products in volume from Asia. Realizing the importance of the Internet, we became one of the first providers of business to business online services by launching Asian Sources Online in 1995. In 1999, we changed the name of Asian Sources Online to Global Sources Online.

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

Revenue

We derive revenue from three principal sources.

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

from banner advertising fees.

Other Media Services — We publish trade magazines, which consist primarily of product advertisements from suppliers and our independent editorial reports and product surveys. Suppliers pay for advertising in our trade magazines to promote their products and companies. We also derive revenue from buyers that subscribe to our trade publications and sourcing research reports.

We recognize revenue from our Online and Other Media Services ratably over the period in which the marketing website is hosted and/or the advertisement is displayed. Our advertising contracts do not exceed one year.

Exhibitions – trade shows and seminars - Our China Sourcing Fairs offer international buyers direct access to manufacturers from China and elsewhere in Asia. The first China Sourcing Fair was held during the fourth quarter of 2003. Subsequently, we held several China Sourcing Fairs events in the second and fourth quarters of 2004, 2005 and 2006. During the current year, we held two series of four China Sourcing Fairs each in April 2007 and October 2007. In addition, we launched new China Sourcing Fairs events in Dubai in June 2007 and in Shanghai in December 2007. Future China Sourcing Fairs are scheduled to be held mainly in the second quarter and fourth quarter of each financial year. International IC China Conferences and Exhibitions were held in March 2007 in the current year and these same exhibitions were held in March 2006 last year. We derive revenue primarily from exhibit space rentals, but also from advertising and sponsorship fees in show guides and other locations in and around our event venues. We also receive fees from attendees to attend our technical conferences held during the events. We recognize exhibitor services revenue at the conclusion of the related events. As a result, second quarter and fourth quarter revenue is expected to be higher than the first and third quarter revenue. Revenue from exhibitions are likely to grow as a percentage of total revenue in future years as we hold more China Sourcing Fairs.

Critical Accounting Policies

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

Revenue Recognition

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

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

We received license fees and currently receive royalties from licensing our trade and service marks. Revenue from license fees is recognized ratably over the term of the license. Royalties from license arrangements are earned ratably over the period in which the advertisement is displayed by the licensee.

We derive income from its direct product sales. Under the direct product sales business model, the revenue is recorded when the right of return has expired after the delivery of the goods to the buyer and the corresponding cost of products purchased is recorded under sales costs. The net amount of shipping costs invoiced to the buyers less the shipping costs paid is reported under revenue.

We derive commission income on the re-sale of products on consignment basis. The commission income which is the sales proceeds, net of the cost of the purchased products payable to the consigner is recognized upon conclusion of the

sale to the buyer.

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

Capitalization of Development Costs of Software for Internal Use

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

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

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

Estimation of Allowance for Doubtful Debts

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

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

Impairment of Long-Lived Assets

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

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

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

Exhibition Events Promotion Costs

The event specific promotion costs for our exhibition events are recognized as an expense during the event months in the year in which the expenses are incurred.

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

Results of Operations

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

	Year Ended December 31,		
	2005	2006	2007
Income statement data:			
Revenue:			
Online and other media services	86%	72%	69%
Exhibitions	13	27	28
Miscellaneous	1	1	3
Total revenue	100	100	100
Operating expenses:			
Sales	31	32	34
Event production	3	11	11
Community	18	16	15
General and administrative	31	25	24
Online services development	4	3	3
Amortization of software costs	1	1	-
Total operating expenses	88%	88%	87%
Income from operations	12%	12%	13%
Net income	12%	18%	13%

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

	Year Ended December 31,		
	2005	2006	2007
Asia	93%	93%	94%
United States	6	5	5
Europe	1	1	0
Others	0	1	1
Total revenue	100%	100%	100%

Fiscal Year 2007 Compared to Fiscal Year 2006

Revenue

Total revenue grew to \$182.1 million during the year ended December 31, 2007 from \$156.5 million during the year ended December 31, 2006, a growth of 16% driven primarily by the growth in our China Sourcing Fairs exhibitions revenue and our online and other media services revenue. Our Online and Other Media Services revenue grew by \$12.7 million or 11% to \$125.8 million during the year ended December 31, 2007, as compared with \$113.1 million during the year ended December 31, 2006 due to a 23% growth in our China market and the growth in our Hong Kong, Korea, Thailand and U.S. markets, off-set by a decline in some of our other markets during the year ended December 31, 2007. China represented 59% of Online and Other Media Services revenue during the year ended December 31, 2007 compared to 53% during the year ended December 31, 2006. Our Exhibitions revenue grew from

\$42.1 million during the year ended December 31, 2006 to \$51.6 million during the year ended December 31, 2007, a growth of 23%, due mainly to growth in revenue of our China Sourcing Fairs during the year 2007 held in Hong Kong, Dubai and Shanghai. Our exhibitions revenue from China grew by 46% during the year ended December 31, 2007 compared to year ended December 31, 2006. China represented 65% of Exhibitions revenue during the year ended December 31, 2007 compared to 55% during the year ended December 31, 2006.

We have made substantial progress in developing our customer base in China, our largest market. Total revenue from China grew by 31% during the year ended December 31, 2007 compared to year ended December 31, 2006 due to growth in our China Sourcing Fairs exhibitions, International IC China Conferences and Exhibitions and Online and Other Media Services revenue. We expect revenue from China as a percentage of total revenue to continue to grow and overall revenue from China to continue to grow.

Operating expenses

Sales

We utilize independent sales representatives employed by independent sales representative organizations in various countries and territories to promote our products and services. Under these arrangements, the sales representative organizations are entitled to commissions as well as marketing fees. For online and other media services, commission expense is recognized when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier. For exhibitions, the commission expense is recognized when the associated revenue is recognized, upon conclusion of the event.

Sales costs consist of the commissions and marketing fees paid and incentives provided to our independent sales representative organizations, as well as sales support fees for processing sales contracts. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated.

Sales costs increased from \$50.4 million during the year ended December 31, 2006 to \$61.8 million during the year ended December 31, 2007, an increase of 23% due mainly to increase in sales commission resulting from an increase in revenue, increase in sales marketing fees for new initiatives and increase in non-cash compensation expense relating to share awards to sales team members under our equity compensation plans.

Event Production

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

Event production costs increased by 10% from \$18.4 million during the year ended December 31, 2006 to \$20.2 million during the year ended December 31, 2007, primarily due to increase in number of exhibitions held and booths sold in 2007.

Community

Community costs consist of the costs incurred for servicing our buyer community and for marketing our products and services to the global buyer community. Community costs also include costs relating to our trade magazine publishing business and marketing inserts business, specifically printing, paper, bulk circulation, magazine subscription promotions, promotions for our on-line services, customer services costs and the event specific promotions costs incurred for promoting the China Sourcing Fairs events and the technical conferences, exhibitions and seminars to the buyer community. The event specific promotion costs incurred for events are expensed during the event months in the year in which the expenses are incurred.

Community costs increased from \$24.9 million during the year ended December 31, 2006 to \$27.1 million during the year ended December 31, 2007, an increase of 9%. This increase was due mainly to increase in bulk circulation costs, paper costs, printing charges, magazine subscription promotion costs, travel costs, fees paid to third parties, increase in our participation in third party trade shows to promote our products and services to buyer community, and an increase in promotion costs for our exhibition events.

General and Administrative

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

General and administrative costs increased from \$38.9 million during the year ended December 31, 2006 to \$44.2 million during the year ended December 31, 2007, an increase of 14%, due mainly to the increases in fees paid to third parties, content management services costs, information technology services costs, payroll costs, travel costs, depreciation costs and increase in non-cash compensation expense relating to share awards to team members under our equity compensation plans.

Online Services Development

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

Online services development costs to fund the updating and maintenance of our online services increased by 27% from \$4.5 million during the year ended December 31, 2006 to \$5.7 million during the year ended December 31, 2007 due mainly to increases in depreciation costs and internet communications costs, and fees paid to third parties.

Non-Cash Compensation Expense

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

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment" using the modified prospective application transition method, which requires application of SFAS No. 123(R) for new awards granted after the adoption of SFAS No. 123(R) and for any portion of awards granted prior to the date of adoption but have not vested as of the date of adoption of SFAS No. 123(R).

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based compensation using the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost of stock options was measured as the excess, if any, of the fair value of the Company's stock at the date of the grant over the option exercise price and is charged to operations over the vesting period. Under SFAS No. 123(R), the compensation cost associated with the stock options is measured at fair value on the grant date and portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods.

The Company's employee stock compensation plans are share grants without any exercise price or exercise period. Therefore, the fair value of the share grants at the date of grant approximates the intrinsic value. As a result, the impact of fair value based accounting under SFAS No. 123(R) is not significantly different from the intrinsic value method under APB No. 25.

Prior to the adoption of SFAS No. 123(R), the Company accounted for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods and Services." All transactions in which services are received for the issuance of equity instruments are accounted for based on the fair

value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date on which it is probable that performance will occur. The equity instruments issued to non-employees are within the scope of SFAS No. 123(R), except that such equity instruments should continue to be measured using the measurement guidance of EITF Issue No. 96-18. Thus there are no significant changes required in the accounting treatment of equity instruments issued to non-employees upon the adoption of SFAS No. 123(R).

The Company recognizes the compensation costs associated with share awards with graded vesting to employees on a straight-line basis over the requisite service period for the entire award.

The Company recognizes the compensation costs associated with share awards to non-employees on an accelerated attribution basis over the requisite service period.

Under SFAS No. 123(R) the Company is required to adjust its compensation cost for pre-vesting forfeitures i.e. an award that is forfeited prior to vesting. As the share grants to the employees include service conditions, the fair value of the awards is not adjusted subsequent to the grant date. At each reporting date, the Company would estimate the quantity of share grants expected to vest and record the compensation cost for the share grants that are expected to vest.

Prior to the adoption of SFAS No. 123(R), the Company accounted for the shares purchased by the directors under Directors Purchase Plan using the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost relating to the shares purchased by the directors was measured as the difference between the quoted market price of the stock at the grant date and the price paid by the directors (exercise price) on the measurement date. Upon adoption of SFAS No. 123(R), the Company has utilized the Black-Scholes option-pricing model ("Black-Scholes model") for determination of the grant date fair value and the recording of compensation cost associated with the shares purchased by the Directors under the plan.

The total non-cash compensation expense, resulting from the ECP and the Directors Purchase Plan recorded by us and included under the respective categories of expenses during the year ended December 31, 2007 was \$7.8 million compared to \$4.1 million recorded during the year ended December 31, 2006. The increase is due mainly to re-measurement of equity compensation expense based on our prevailing share price and new share awards during the year 2007, off-set partially by completed vesting of some of the past share awards.

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

As of December 31, 2007 there was \$11,731 of unrecognized non-cash compensation cost associated with the awards under the above ECP plans, which is expected to be recognized over the next six years.

Amortization of Software Costs and intangibles

Amortization of software cost and intangibles was \$0.2 million during the year ended December 31, 2007 compared to \$1.3 million during year ended December 31, 2006.

Income from Operations

The total income from operations during the year ended December 31, 2007 was \$23.0 million as compared to \$18.1 million during the year ended December 31, 2006. The growth in total income from operations resulted mainly from growth in revenue and a decline in amortization of software costs off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs and online services development costs. Income from operations for online and other media services grew from \$21.9 million during the year ended December 31, 2006 to \$22.3 million during the year ended December 31, 2007, a growth of 2%. The growth resulted mainly from growth in online and other media services revenue and decline in amortization of software costs and intangibles, off-set partially by increases in sales costs, community costs, general and administrative costs and online services development costs.

Interest and Dividend Income and Gain on Sale of Available-for-sale Securities

We recorded interest income of \$6.6 million arising mainly from U.S. Treasury securities and a gain of \$2.9 million arising from the sale of available for sale securities including \$2.4 million gain from sale of HC International shares during the year ended December 31, 2007 compared to a gain of \$0.3 million and an interest and dividend income of \$5.6 million during the year ended December 31, 2006.

Loss on Investment, Net

During 2007, we recorded an impairment charge of approximately \$2.3 million on our investment in HC International, Inc and received \$0.5 million pursuant to the indemnification obligations of the vendor under the purchase agreement for the HC International investment. The \$1.8 million represents the impairment loss, net of the \$0.5 million received. Please see “Liquidity and Capital Resources” section.

Impairment of Goodwill and Intangible Assets

During 2007, we recorded an impairment charge of approximately \$3.1 million on the goodwill and intangible assets acquired by us in our business acquisition of Blue Bamboo China Ventures. Please see “Liquidity and Capital Resources” section.

Income Taxes

We and certain other subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Certain of our subsidiaries operate in Hong Kong SAR, Singapore, China and certain other jurisdictions and are subject to income taxes in their respective jurisdictions.

We reported a tax provision of \$0.3 million during the year ended December 31, 2007 compared to a tax provision of \$0.9 million during the year ended December 31, 2006. The reduction in tax expense resulted primarily from the recognition of deferred tax asset for the expected future tax benefit of expenses incurred by one of our subsidiaries, which are not yet deductible for tax purposes and a reduction in tax expense for two of our subsidiaries due to reduction in their income, as we outsourced most of operations previously carried out by these subsidiaries.

Cumulative Effect of Change in Accounting Principle

During 2006, we have recorded a credit to expenses of \$0.3 million resulted from the cumulative effect of change in accounting principle, upon adoption of SFAS No.123(R), which went effective on January 1, 2006. There was no such credit to expenses during the year 2007.

Net Income

Net income was \$24.0 million during the year ended December 31, 2007, compared to \$27.9 million during the year ended December 31, 2006. The decline in net income resulted from increases in sales costs, event production costs, community costs, general and administrative costs, online services development costs, net loss on investment, impairment of goodwill and intangible assets, foreign exchange losses and share of profits attributable to a minority shareholder during the year 2007 due to profitable performance of a subsidiary off-set partially by growth in revenue, decline in amortization of software costs, increase in interest and dividend income, increase in gain on sale of available for sale securities and a reduction in tax provision.

Fiscal Year 2006 Compared to Fiscal Year 2005

Revenue

Total revenue grew to \$156.5 million during the year ended December 31, 2006 from \$112.2 million during year ended December 31, 2005, a growth of 39% driven primarily by the growth in our China Sourcing Fairs exhibitions revenue. Our Online and Other Media Services revenue grew by \$16 million or 16% to \$113.1 million during the year

ended December 31, 2006, as compared with \$97.1 million during the year ended December 31, 2005 due to a 29% growth in our China market and the growth in our Hong Kong, South Korea and U.S. markets, off-set by a decline in some of our other markets during the year ended December 31, 2006. China represented 53% of Online and Other Media Services revenue during the year ended December 31, 2006 compared to 48% during the year ended December 31, 2005. Our Exhibitions revenue grew from \$14.3 million during the year ended December 31, 2005 to \$42.1 million during the year ended December 31, 2006, a growth of 194%, due mainly to growth in revenue of our China Sourcing Fairs during the year 2006.

We have made substantial progress in developing our customer base in China, our largest market. Total revenue from China grew by 50% during the year ended December 31, 2006 compared to year ended December 31, 2005 due to growth in our China Sourcing Fairs revenue and Online and Other Media Services revenue. China accounted for 53% of total revenue during the year ended December 31, 2006 compared to 50% of total revenue during the year ended December 31, 2005. We expect revenue from China as a percentage of total revenue to continue to grow and China overall revenue to continue to grow.

Operating expenses

Sales

Sales costs consist of the commissions and marketing fees paid and incentives provided to our independent sales representative organizations, as well as sales support fees for processing sales contracts. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated.

Sales costs increased from \$34.4 million during the year ended December 31, 2005 to \$50.4 million during the year ended December 31, 2006, due to increase in sales commissions as a result of increase in revenue and increases in sales marketing costs and sales promotions for exhibitions.

Event Production

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

Event production costs increased from \$3.9 million during the year ended December 31, 2005 to \$18.4 million during the year ended December 31, 2006, as our China Sourcing Fairs events held in year 2006 in Hong Kong were much larger events compared to our last year's China Sourcing Fairs events held in Shanghai, resulting in a substantial increase in venue rental, booth construction and other event organizing costs. In addition, the exhibition venue in Hong Kong was more expensive compared to venues in Shanghai.

Community

Community costs consist of the costs incurred for servicing our buyer community and for marketing our products and services to the global buyer community. Community costs also include costs relating to our trade magazine publishing business and marketing inserts business, specifically printing, paper, bulk circulation, magazine subscription promotions, promotions for our on-line services, customer services costs and the event specific promotions costs incurred for promoting the China Sourcing Fairs events and the technical conferences, exhibitions and seminars to the buyer community. The event specific promotion costs incurred for events are expensed during the event months in the year in which the expenses are incurred.

Community costs increased from \$20.7 million during the year ended December 31, 2005 to \$24.9 million during the year ended December 31, 2006, an increase of 20% due mainly to increase in paper costs, printing charges and promotion costs for our exhibition events. We also incurred promotions for our online services and magazine subscriptions and these are expensed as incurred. As a result of increase in these activities we recorded an increase in

payroll costs and travel costs.

General and Administrative

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

General and administrative costs increased by 12% from \$34.7 million during the year ended December 31, 2005 to \$38.9 million during the year ended December 31, 2006, due mainly to increases in fees paid to consultants, content management services costs, marketing costs, information technology support services costs,

depreciation on office furniture, depreciation on new office premises that we purchased during the year 2005 and depreciation on leasehold improvements there on and payroll costs.

Online Services Development

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

Online services development costs to fund the updating and maintenance of our online services increased from \$4.2 million during the year ended December 31, 2005 to \$4.5 million during the year ended December 31, 2006 due mainly to increases in depreciation costs and internet communications costs.

Non-Cash Compensation Expense

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

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment" using the modified prospective application transition method, which requires application of SFAS No. 123(R) for new awards granted after the adoption of SFAS No. 123(R) and for any portion of awards granted prior to the date of adoption but have not vested as of the date of adoption of SFAS No. 123(R).

Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based compensation using the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost of stock options was measured as the excess, if any, of the fair value of the Company's stock at the date of the grant over the option exercise price and is charged to operations over the vesting period. Under SFAS No. 123(R), the compensation cost associated with the stock options is measured at fair value on the grant date and portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods.

The Company's employee stock compensation plans are share grants without any exercise price or exercise period. Therefore, the fair value of the share grants at the date of grant approximates the intrinsic value. As a result, the impact of fair value based accounting under SFAS No. 123(R) is not significantly different from the intrinsic value method under APB No. 25.

Prior to the adoption of SFAS No. 123(R), the Company accounted for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods and Services." All transactions in which services are received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date on which it is probable that performance will occur. The equity instruments issued to non-employees are within the scope of SFAS No. 123(R), except that such equity instruments should continue to be measured using the measurement guidance of EITF Issue No. 96-18. Thus there are no significant changes required in the accounting treatment of equity instruments issued to non-employees upon the adoption of SFAS No. 123(R).

The Company recognizes the compensation costs associated with share awards with graded vesting to employees on a straight-line basis over the requisite service period for the entire award.

The Company recognizes the compensation costs associated with share awards to non-employees on an accelerated attribution basis over the requisite service period.

Under SFAS No. 123(R) the Company is required to adjust its compensation cost for pre-vesting forfeitures i.e. an award that is forfeited prior to vesting. As the share grants to the employees include service conditions, the fair value of the awards is not adjusted subsequent to the grant date. At each reporting date, the

Company would estimate the quantity of share grants expected to vest and record the compensation cost for the share grants that are expected to vest.

Prior to the adoption of SFAS No. 123(R), the Company accounted for the shares purchased by the directors under Directors Purchase Plan using the intrinsic value method prescribed in APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost relating to the shares purchased by the directors was measured as the difference between the quoted market price of the stock at the grant date and the price paid by the directors (exercise price) on the measurement date. Upon adoption of SFAS No. 123(R), the Company has utilized the Black-Scholes option-pricing model ("Black-Scholes model") for determination of the grant date fair value and the recording of compensation cost associated with the shares purchased by the Directors under the plan.

The total non-cash compensation expense, resulting from the ECP and the Directors Purchase Plan, recorded by us and included in the respective categories of expenses increased from \$1.9 million during the year ended December 31, 2005 to \$4.1 million during the year ended December 31, 2006. The increase was a result of the re-measurement of equity compensation expense based on our prevailing share price and new share awards during the first half of year 2006.

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

As of December 31, 2006 there was \$6,956 of unrecognized non-cash compensation cost associated with the awards under the above ECP plans, which is expected to be recognized over the next six years.

Amortization of Software Costs and Intangibles

Amortization of software cost was \$1.3 million during the year ended December 31, 2006 and during the year ended December 31, 2005.

Income from Operations

The total income from operations during the year ended December 31, 2006 was \$18.1 million compared to \$12.9 million during the year ended December 31, 2005. The growth in total income from operations was mainly due to increase in revenue and a decline in amortization of software costs off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs, online services development costs. Income from operations for online and other media services grew from \$13.5 million during the year ended December 31, 2005 to \$21.9 million during the year ended December 31, 2006, a growth of 62%. The growth resulted mainly from growth in online and other media services revenue and decline in amortization of software costs, off-set partially by increases in sales costs, community costs, general and administrative costs and online services development costs.

Interest and Dividend Income and Gain on Sale of Available-for-sale Securities

We recorded a gain of \$0.3 million arising from sale of available-for-sale securities and interest and dividend income of \$4.8 million arising mainly from U.S. Treasury securities during the year ended December 31, 2006 compared to a gain of \$1.0 million and interest and dividend income of \$1.3 million during the year ended December 31, 2005.

Gain on Sale of Shares to Minority Shareholder and Interest Income Thereon.

During the year ended December 31, 2006, we recorded a gain on sale of shares to minority shareholder and related interest income amounting to \$6.0 million and \$1.9 million respectively as the loan and interest contingencies were resolved in the current year.

Income Taxes

We and certain other subsidiaries of the group operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Certain of our subsidiaries operate in Hong Kong SAR, Singapore, China and certain other jurisdictions and are subject to income taxes in their respective jurisdictions.

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We reported a tax provision of \$0.9 million during the year ended December 31, 2006 and \$0.8 million during the year ended December 31, 2005.

Cumulative Effect of Change in Accounting Principle

During the year ended December 31, 2006, we have recorded a credit to expenses of \$0.3 million resulted from the cumulative effect of change in accounting principle upon adoption of SFAS No.123(R) effective from January 1, 2006. For a further discussion on change in accounting principle, please see Note 2(x) to our consolidated financial statements appearing elsewhere in this annual report.

Net Income

Net income was \$27.9 million during the year ended December 31, 2006, compared to a net income of \$13.4 million during the year ended December 31, 2005. The growth in net income was mainly due to growth in revenue, increase in interest and dividend income, gain on sale of shares to minority shareholder and interest income thereon and decline in amortization of software costs, off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs, online services development costs, foreign exchange losses, tax provision, share of profits attributable to a minority shareholder, a decline in gain on sale of available-for-sale securities and loss on investment.

Liquidity and Capital Resources

We financed our activities for the year ended December 31, 2007 using cash generated from our operations.

Net cash generated from operating activities was \$60.6 million during the year ended December 31, 2007, compared to \$36.7 million cash generated from operating activities during the year ended December 31, 2006. The primary source of cash from operating activities was collections from our customers received through our independent sales representative organizations.

Advance payments received from customers were \$83.1 million as of December 31, 2007, compared to \$63.8 million as of December 31, 2006, improving our liquidity. A majority of our customers in China pay us in advance for our Online and other media services business. Our Exhibitions business collections generally are all advance payments. We expect the growth in our revenues from China to continue and we plan to launch more Exhibition events in the future. As a result, we expect that the advance payments received from customers to continue to increase in the future as our revenue increases.

Receivables from sales representatives declined from \$13.2 million as of December 31, 2006 to \$12.3 million as of December 31, 2007, improving our liquidity. Though the receivables from sales representatives may decline in near future as the collections are transferred to our bank account, we expect the receivables from sales representatives to slightly increase in the long term due to expected growth in our China business and our Exhibitions business. All the authorized signatories to the collection depository bank accounts maintained by our sales representatives in China are our senior management staff.

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

Net cash provided by investing activities was \$1.6 million during the year ended December 31, 2007, resulting from the net sale of available-for-sale securities for \$15.8 million, \$0.2 million proceeds from matured bonds off-set partially by \$11.3 million cash used for capital expenditures mainly for purchase of office premises in China, computers, software, office furniture, leasehold improvements and software development and \$3.1 million cash used for acquiring the business of Blue Bamboo. Net cash used in investing activities during the year ended December 31, 2006 was \$14.1 million, resulting from net purchase of available-for-sale securities for \$12.1 million, \$4.9 million cash used for capital expenditures mainly on office furniture, computers, software, leasehold improvements and software development off-set partially by \$0.2 million proceeds from matured bonds and \$2.7 million in net proceeds from sale of shares to minority shareholder, interest income thereon and repurchase of share dividends from minority shareholder.

Capital expenditures during the three months period ended March 31, 2008 amounted to \$0.6 million and were incurred mainly for computers, software, office furniture, leasehold improvements and software development. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets (excluding intangibles and goodwill) disposed during the year ended December 31, 2007 and the three months ended March 31, 2008 amounted to \$0.3 million and a negligible amount, respectively.

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

As of December 31, 2007, securities with an original maturity of three months or less are presented under cash and cash equivalents. We reclassified such securities as of December 31, 2006 of \$109.9 million from available-for-sale securities to cash and cash equivalents to conform to current year presentation.

Generally, we hold the securities with specified maturity dates such as Treasury Bills until their maturity but the securities managed by high quality institutions that do not have fixed maturity dates are generally sold at the end of each quarter and proceeds reinvested in similar securities at the beginning of the following quarter. During the year ended December 31, 2007, we sold available-for-sale securities of \$15.8 million. We reinvested the sale proceeds in U.S. Treasury securities.

We do not engage in buying and selling of securities with the objective of generating profits on short-term differences in price.

Net cash generated from financing activities was \$0.4 million during the year ended December 31, 2007, which represents the amount received from directors for the shares subscribed by them in the Directors Purchase Plan. Net cash generated from financing activities was \$0.4 million during the year ended December 31, 2006, which represents the amount received from directors for the shares subscribed by them in the Directors Purchase Plan.

We hold a Documentary Credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to our suppliers. This facility has a maximum limit of approximately \$0.6 million. As of December 31, 2007, the unutilized amount under this facility was approximately \$0.5 million. Hongkong and Shanghai Banking Corporation Limited has also provided a guarantee on our behalf to our suppliers. As of December 31, 2007, such guarantee amounted to \$0.003 million.

We recorded a valuation allowance for the deferred tax assets of \$6.1 million as of December 31, 2007 as it was more likely than not that they would not be realized. These deferred tax assets resulted from the net operating losses in some of our subsidiaries.

During the first quarter of 2004, we entered into a number of license agreements for our exhibition events amounting to \$29.7 million in payments over five years. The agreements are cancelable under Force Majeure conditions, and with the consent of the other party but may be subject to a payment penalty. As of December 31, 2007, we paid \$23.5 million under these agreements. Subsequently, during the first quarter of 2007, we entered into a number of venue license agreements for our exhibition events amounting to \$44.4 million in payments over five and a half years. The agreements are cancelable under Force Majeure conditions, or upon notice and payment of cancellation charges to the other party. The amounts paid will be expensed when the related events are held. As of December 31, 2007, we paid approximately \$1.1 million under these agreements.

We also entered into several agreements for the event specific promotion of our exhibition events amounting to \$4.0 million, in payments over five years. As of December 31, 2007, we paid \$3.2 million under these agreements.

On March 5, 2007, we announced a one for ten bonus share issue on our outstanding common shares. Shareholders of record on March 16, 2007, received one additional common share for every ten common shares held, of face value of \$0.01 each. The bonus share issue was distributed on or about April 16, 2007. In addition, we have reclassified \$0.038 million and \$0.038 million from additional paid in capital to common share

capital as of December 31, 2007, and December 31, 2006, respectively, in connection with the bonus share issue.

On December 20, 2007, we once again announced a one for ten bonus share issue on our outstanding common shares. Shareholders of record on January 1, 2008, received one additional common share for every ten common shares held, of face value of \$0.01 each. The bonus share issue was distributed on or about February 1, 2008. In addition, we have reclassified \$0.042 million and \$0.042 million from additional paid in capital to common share capital as of December 31, 2007, and December 31, 2006, respectively, in connection with the bonus share issue.

HC International Inc. (“HC International”) is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. In the year 2006, our wholly-owned subsidiary, Trade Media Holdings Limited (“TMHL”), entered into an agreement (“Sale and Purchase Agreement”) with IDG Technology Venture Investment, Inc. (“IDGVC”) for, and completed, the purchase from IDGVC of 47,858,000 HC International shares (representing an approximate 9.77% equity interest in HC International as of September 30, 2007), at a consideration of approximately \$9.9 million, which was subject to an adjustment (“Price Adjustment”) if and when HC International achieved a certain benchmark with reference to the HC International group’s performance (“Performance Benchmark”) or upon completion of the sale and purchase of the Option HC Shares (as defined below).

We announced, via a press release dated March 19, 2007, that the Performance Benchmark referred to above has not been met, and that accordingly, TMHL would not be required to make the Price Adjustment referred to above under the condition relating to the Performance Benchmark.

TMHL also entered into a call options deed with IDGVC, Guo Fansheng (“Guo”) and others (which include certain members of the senior management of HC International) (“Option Grantors”), under which the Option Grantors granted to TMHL (i) a right, exercisable within 12 months from June 21, 2006 (the date of completion of the Sale and Purchase Agreement) (“Option Period”), to purchase all (but not in part only) of the 167,722,814 HC International shares owned by the respective Option Grantors and any HC International shares that may be issued by HC International to certain directors of HC International if the options granted in accordance with the share option schemes of HC International (amounting to an aggregate of 4,185,320 HC International shares) are exercised, which together represent a maximum of approximately 35.11% of the total issued share capital of HC International as of September 30, 2007 (“Option HC Shares”), at an exercise price of approximately \$0.2896 per Option HC Share; and (ii) an undertaking to accept any offer for the Option HC Shares at a price of not less than approximately \$0.2896 per Option HC Share, during the Option Period.

In addition, TMHL also entered into a call option deed with Huicong Construction Co., Ltd. (“Huicong Construction”), in which Guo has an 80% equity interest, under which Huicong Construction granted to TMHL a right, exercisable within the Option Period, to purchase (or to nominate a subsidiary of TMHL to purchase) Huicong Construction’s entire 18% equity interest in Beijing Huicong International Information Co., Ltd. (“Beijing Huicong”), an 82% indirect subsidiary of HC International (“Beijing Huicong Option”), at an aggregate exercise price of approximately \$31.9 million.

We announced, via a press release dated June 17, 2007, that TMHL would not be exercising the HC Options and the Beijing Huicong Option (collectively, the “Options”). Both Options subsequently lapsed and expired at the end of the Option Period, without being exercised by TMHL.

In the last quarter of 2007, we announced, via a press release dated December 10, 2007, that we and TMHL had entered into an agreement with IDG Technology Venture Investment III, L.P. (“IDGTVI III”) to sell all our and TMHL’s equity interests in HC International (amounting to 62,652,000 HC International shares) to IDGTVI III, at a sale consideration of approximately \$0.1968 per HC International share. The sale was subsequently completed on December 18, 2007, as announced in our press release dated December 18, 2007.

On August 1, 2006, HC International appointed our Chief Operating Officer, John Craig Pepples (“Mr. Pepples”), as a non-executive director on the board of directors of HC International. However upon completion of the afore-mentioned sale of all of our and TMHL’s equity interests in HC International, Mr. Pepples re-

signed from the board of directors of HC International, as announced in our press release dated December 18, 2007.

As the fair value of this investment as of June 30, 2007, is less than the cost, our management evaluated the investment in HC International as of June 30, 2007, for impairment and concluded that the impairment was other-than-temporary impairment. As per the Company's accounting policy, declines in value judged to be other-than-temporary on available-for-sale securities are included in the statement of income. Accordingly the unrealized loss of approximately \$2.3 million on the HC International investment was recorded in the income statement for the second quarter ended June 30, 2007.

Pursuant to IDGVC's indemnification obligations under the Sale and Purchase Agreement, TMHL received approximately \$0.5 million from IDGVC during the second quarter ended June 30, 2007. This amount was recorded in the income statement for the second quarter ended June 30, 2007.

The approximate amount of \$1.8 million, being the net amount of the approximately \$2.3 million impairment loss and the approximately \$0.5 million receipt mentioned above, is reflected under the item "Loss on Investment, net" in the income statement for the year ended December 31, 2007.

In connection with the afore-mentioned sale of all of the 62,652,000 HC International shares held by us and TMHL to IDGTVI III, we recorded a gain of approximately \$2.4 million, which is included under "Gain on sale of available-for-sale securities" in the income statement for both the fourth quarter and the year ended December 31, 2007.

During the first quarter of 2007, we entered into a letter of intent, followed by a purchase agreement, to purchase 1,939.38 square meters of office space in a commercial building known as "Excellence Times Square" in Shenzhen, China, at a purchase price of approximately \$7.0 million, out of which a total down-payment of approximately \$0.09 million was made in the first quarter of 2007 and the balance of approximately \$6.91 million was paid in April 2007. Delivery of the office space to the Company was completed in second quarter of 2007.

On August 16, 2007, TMHL, our wholly owned subsidiary and Blue Bamboo China Ventures ("BBCV") an exempted company incorporated in Cayman Islands entered into a Sales and Purchase Agreement ("S&P Agreement"), in which TMHL will purchase certain intellectual property rights and other related intangible assets (the "Acquired Assets") of BBCV. The S&P Agreement was consummated on September 12, 2007. BBCV is an online media company that built a network of four websites that provide information about home renovation, overseas study, weddings and parenting to urban Chinese consumers. This acquisition was made in line with our strategy to expand our domestic China initiatives.

We recorded this transaction as a business acquisition in accordance with SFAS No.141. The total purchase consideration was \$3.1 million, of which approximately \$1.4 million was paid to BBCV on the consummation date, approximately \$1.6 million was placed in an escrow account with an appointed escrow agent and the balance \$0.1 million was the direct transaction costs. The escrow amount will be released to BBCV within one year of the consummation date, subject to terms and conditions stipulated in the S&P Agreement.

The allocation of purchase consideration to the assets acquired based on their fair values was as follows:

	US\$ millions
Website intangibles	\$0.6
Goodwill	\$2.5
Total	\$3.1

The intangible assets have useful life of five years. We have recorded \$0.03 million amortization costs on the website intangible assets in our financials statements.

Subsequent to the acquisition, we realigned our business strategy to focus on the development of our other Global Sources domestic B2B China initiatives such as Elegant Living Online and Electronic Supply & Manufacturing – China Online and have terminated our plans to launch Blue Bamboo websites.

Due to this change in business strategy, we no longer have any plans to launch the newly acquired business. Hence, we performed an impairment assessment of the Blue Bamboo website intangibles and goodwill and determined that the carrying values of website intangibles of \$0.6 million and goodwill of \$2.5 million were fully impaired and recorded an impairment charge of \$3.1 million in our financial statements for the year ended December 31, 2007.

We have no bank debt as of December 31, 2007.

The following table summarizes our contractual obligations as of December 31, 2007:

	Payments due by period (in U.S. Dollars Thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Operating leases	\$ 645	\$ 645	-	-	-
Liabilities for incentive and bonus plans	102	102	-	-	-
Purchase obligations	2,740	2,638	102	-	-
Total	\$ 3,487	\$ 3,385	\$ 102	-	-

On February 4, 2008, our board of directors authorized a program to buy back up to \$50 million of common shares. We intend, from time to time, as business conditions warrant, to purchase shares in the open market or through private transactions. The buyback program does not obligate us to buyback any specific number of shares and may be suspended or terminated at any time at management's discretion. The timing and amount of any buyback of shares will be determined by management based on its evaluation of market conditions and other factors. As of June 25, 2008, we have not bought back any of our shares.

On May 15, 2008, we entered into a letter of intent to purchase approximately 6,364.50 square meters (gross) of office space in a commercial building known as Shenzhen International Chamber of Commerce Tower in Shenzhen at a price of approximately \$34.0 million, and paid a deposit of approximately \$0.2 million. Should we decide to proceed with the purchase, the final purchase agreement will be signed by July 2008. If we decide not to proceed with the purchase of the said property, the deposit will be forfeited and we have to pay an additional penalty of approximately \$0.9 million.

On June 18, 2008, we entered into a formal sale and purchase agreement to purchase approximately 22,874 square feet (gross) of office space, together with 6 car parking spaces, in a commercial building known as Southmark in Hong Kong, for a total purchase price of approximately \$11.9 million, and have paid a total deposit of approximately \$1.8 million. Completion of the property purchase and payment of the balance of the purchase price, in an amount of approximately \$10.1 million, is scheduled to occur on or before August 4, 2008.

In June 2008, approval of the board of directors and the shareholders of eMedia Asia Ltd. were obtained for distribution of the excess cash in eMedia Asia Ltd. to shareholders of eMedia Asia Ltd., by way of a one-for-one issue of new shares (as share dividends) and then a purchase back by eMedia Asia Limited of those share dividends and a consequent reduction of its share capital.

Pursuant thereto, eMedia Asia Ltd. plans to complete the issuance of 1,000 shares to its shareholders as share dividends, the subsequent purchase of those 1,000 shares (at a price of \$5,000 per share), the distribution of the total amount of \$5.0 million to its shareholders by way of a share purchase dividend, and the reduction of its share capital through the cancellation of those 1,000 purchased shares, before the end of June 2008 or else shortly thereafter.

Upon the completion of the aforesaid capital reduction, we will be recording the \$1.995 million paid to the minority shareholder pursuant to the above transaction as a reduction of the minority interest liability.

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have a material effect or are reasonably likely to have a material future effect on our financial condition, changes in financial condition, revenues and expenses, results of operations, liquidity, capital expenditures, or capital resources.

Recent Accounting Pronouncements

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation). EITF 06-3 provides guidance on presentation of any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer. As per EITF 06-3, the presentation of taxes on either a gross (included in revenues and costs) or a net (excluded from revenues) basis is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, a company should disclose the amounts of taxes in interim and annual financial statements for each period for which income statement is presented if these amounts are significant. The EITF 06-3 guidance is applicable to financial reports for interim and annual reporting periods beginning after December 15, 2006. We adopted EITF 06-3 guidance with effect from January 1, 2007. We are presenting the taxes on gross basis, i.e. included in revenues and costs.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. We adopted FIN No. 48 with effect from January 1, 2007 and the adoption of this interpretation does not have any material impact on our consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"). This standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. As required under SFAS No. 157, the statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except that the statement shall be applied retrospectively to certain financial instruments as of the beginning of the fiscal year in which this Statement is initially applied (a limited form of retrospective application). However in February 2008, the FASB issued FSP FAS 157-2, which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair values in the financial statements on a recurring basis. This FSP partially defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008. We will adopt SFAS No. 157 from January 1, 2008 except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. We are currently evaluating whether the partial adoption of SFAS No. 157 has any impact on its consolidated financial statements.

In February 2007, FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal year beginning after November 15, 2007. We are currently evaluating whether the adoption of SFAS No. 159 has any impact on its consolidated financial statements.

In December 2007, FASB issued SFAS No. 160, "Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements - an amendment of ARB No.51". SFAS No. 160 establishes accounting and reporting requirements for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating whether the adoption of SFAS No. 160 has any impact on our consolidated financial statements.

Qualitative and Quantitative Disclosures about Market Risk

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

This decline in revenue occurred due to contracts being denominated and priced in foreign currencies prior to devaluations in Asian currencies. The conversion of these contract proceeds to U.S. Dollars resulted in losses and reflects the foreign exchange risk assumed by us between contract signing and the conversion of cash into U.S. Dollars.

The following table summarizes our foreign currency Accounts Receivable and provides the information in U.S. Dollar equivalent:

Currency	As of December 31, 2007 (in U.S. Dollars Thousands)				As of December 31, 2006 (in U.S. Dollars Thousands)			
	Expected maturity dates		Total	Fair value	Expected maturity dates		Total	Fair value
	2007	Thereafter			2006	Thereafter		
HKD	1,549	-	1,549	1,549	1,741	-	1,741	1,741
CNY	2,918	-	2,918	2,918	2,447	-	2,447	2,447
TWD	774	-	774	774	1,034	-	1,034	1,034
JPY	160	-	160	160	167	-	167	167
	5,401	-	5,401	5,401	5,389	-	5,389	5,389

We believe this risk is mitigated because historically a majority (ranging between 98% to 99%) of our revenue is denominated in U.S. Dollars or is received in the Hong Kong Dollar which is currently pegged to the U.S. Dollar, the Chinese Renminbi, which historically remained relatively stable but strengthened recently against the U.S. Dollar and the New Taiwan Dollar which is relatively stable against U.S. Dollar. Correspondingly, a majority (approximately 60% to 80%) of our expenses are denominated in Asian currencies. To the extent significant currency fluctuations occur in the New Taiwan Dollar, the Chinese Renminbi or other Asian currencies, or if the Hong Kong Dollar is no longer pegged to the U.S. Dollar, our revenue and expenses will fluctuate and our profits will be affected. However, we manage this risk by monitoring the currency rate trends and appropriately changing the currency in which we invoice and collect from our customers.

During the year ended December 31, 2007 and the year ended December 31, 2006, we have not engaged in foreign currency hedging activities.

In the year ended December 31, 2007 and the year ended December 31, 2006, we derived more than 90% of our revenue from customers in the Asia-Pacific region. We expect that a majority of our future revenue will continue to be generated from customers in this region. Future political or economic instability in the Asia-Pacific region could negatively impact our business.

Non-GAAP Measures

In our press releases on our quarterly financials, we provide non-GAAP financial measures and GAAP to non-GAAP reconciliation tables to supplement our financial information presented in accordance with U.S. GAAP.

The non-GAAP financial measures that we use in our press releases on our quarterly financials are the following:

“Non-GAAP Net Income” is defined as GAAP net income excluding non-cash stock based compensation expense or credit, gains or losses on acquisitions and investments, and/or impairment charges.

“Non-GAAP diluted net income per share” is defined as non-GAAP net income divided by the weighted average of diluted common shares outstanding.

We believe that non-GAAP metrics are useful measures of operations.

Readers should not place undue reliance on non-GAAP financial measures or regard them as a substitute for the nearest U.S. GAAP measures. Further, these non-GAAP financial measures may not be comparable to similarly titled measures used by other companies.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Age	Position
Merle A. Hinrichs	66	Director, Chairman and Chief Executive Officer
Eddie Heng Teng Hua	57	Director and Chief Financial Officer
J. Craig Pepples	47	Chief Operating Officer
Bill Georgiou	63	Chief Information Officer
Sarah Benecke	51	Director
Roderick Chalmers	60	Director
David F. Jones	43	Director
Jeffrey J. Steiner	71	Director
James Watkins	62	Director
Robert Lees	59	Director

Mr. Hinrichs has been a director since April 2000 and is currently our Chairman and Chief Executive Officer. A co-founder of the business, he was the principal executive officer of our predecessor company, Trade Media Holdings Limited, a Cayman Islands corporation wholly owned by us (“Trade Media”), from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrichs was chairman of the ASM Group, which included Trade Media. Mr. Hinrichs is a director of Trade Media and has also been the Chairman of the Board of

Trade Media. Mr. Hinrichs graduated from the University of Nebraska and Thunderbird, the American Graduate School of International Management (“Thunderbird”). Mr. Hinrichs is a founder and former chairman of the Society of Hong Kong Publishers. He is a member of the board of trustees of Thunderbird and is a board member of the Economic Strategy Institute. His term as director expires in 2009.

Mr. Heng has been the Chief Financial Officer (previously entitled vice president of finance) since 1994 and has been a director since April 2000. He joined us in August 1993 as deputy to the vice president of finance. He received an MBA from Shiller International University in London in 1993, is a Singapore Certified Public Accountant, a member of the Institute of Certified Public Accountants, Singapore, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Prior to joining us, he was the regional financial controller of Hitachi Data Systems, a joint venture between Hitachi and General Motors. His term as director expires in 2010.

Mr. Pepples has been our Chief Operating Officer since June 1999 and is responsible for our worldwide operations, including interactive media, corporate marketing, community development, client services and human resources. Mr. Pepples joined Trade Media in October 1986 in an editorial capacity, managed Trade

Media's sales in mainland China from 1989 to 1992, and served as country manager for mainland China from 1992 to June 1999. Mr. Pepples graduated with a B.A. in Linguistics from Yale University.

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

Ms. Benecke has been a director since April 2000, and, since 1993, has been a director of Trade Media. Ms. Benecke was our principal executive officer from January 1994 through August 1999. She joined us in May 1980 and served in numerous positions, including publisher from 1988 to December 1992 and chief operating officer in 1993. Since September 1999, Ms. Benecke has been a consultant to Publishers Representatives, Ltd. (Hong Kong), a subsidiary of our company. Since 2003, her consulting work has been focused on the launch, development and expansion of the "China Sourcing Fairs" in Shanghai, Hong Kong and Dubai. She graduated with a B.A. from the University of New South Wales, Australia. Her term as director expires in 2010.

Mr. Chalmers has been a director since October 2000. He has been the Chairman of the Board of Directors of the Bank of Valletta plc, Malta since 2004. He was chairman, Asia-Pacific, of PricewaterhouseCoopers LLP ("PwC") and a member of PwC's Global Management Board from 1998 until his retirement in July 2000. He is a 30-year veteran with PwC's merger partner Coopers & Lybrand with specialist experience in the securities industry. He has at various times been a non-executive director of the Hong Kong SAR Securities and Futures Commission, a member of the Takeovers and Mergers Panel, and chairman of the Working Group on Financial Disclosure. He is a director of Gasan Group Limited (Malta), Middlesea Valletta Life Assurance Co Limited (Malta) and of Middlesea Insurance plc (Malta). His term as director expires in 2009.

Mr. Jones has been a director since April 2000. Mr. Jones joined CHAMP Private Equity, a leading Australian buyout firm, in 2002 and is currently an executive director. He has spent the last thirteen years in the private equity industry, and was previously in management consulting, investment banking and general management. In 1999, he founded and until 2002 led the development of UBS Capital's Australian and New Zealand business. Prior to that, he spent four years with Macquarie Direct Investment, a venture capital firm in Sydney, Australia, and one year at BancBoston Capital in Boston, Massachusetts. Mr. Jones began his career as a consultant with McKinsey & Company in Australia and New Zealand. He left McKinsey to take the role of general manager of Butterfields Cheese Factors, of the King Island Dairies group. He is Chairman of the Australian Venture Capital Association Limited and a director of Australian Discount Retail and the Beacon Foundation. Previously he was a director of Austar United Communications Limited, a publicly-held company that trades on the Australian Stock Exchange, New Price Retail Pty Ltd, Penrice Soda Products Pty Ltd and Sheridan Australia Pty Limited. Mr. Jones holds a Bachelor of Engineering (First Class Hons.) from the University of Melbourne and a Master of Business Administration from Harvard Business School. His term as director expires in 2011.

Mr. Steiner has been a director since November 1999. Mr. Steiner also has been a director of The Fairchild Corporation ("Fairchild") since 1985. He has been the chairman of the board and chief executive officer of Fairchild since December 1985. Mr. Steiner was president of Fairchild from July 1991 to September 1998. His term as director expires in 2009.

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

In November 2004, Mr. Jeffrey Steiner was named in *Noto v. Steiner, et al.*, and *Barbonel v. Steiner, et al.*, in the Court of Chancery of the State of Delaware in and for New Castle County, Delaware. The plaintiffs in these actions alleged, among other things, that Fairchild executive officers, including Mr. Steiner, received excessive pay and perquisites in violation of fiduciary duties to Fairchild. On November 23, 2005, the Court of Chancery approved a Derivative Settlement, which approval became final on December 23, 2005.

Mr. Watkins was appointed as a casual director (see “Election and Removal of Directors” under Item 10 for a description of a “casual director”) on February 28, 2005, and was elected as a director at the Annual General Meeting on May 9, 2005. Mr. Watkins was a director and group general counsel of the Jardine Matheson Group in Hong Kong from 1997 until 2003. He was group legal director of Schroeders plc in 1996 to 1997 and of Trafalgar House plc from 1994 to 1996. He was previously a partner and solicitor in the London and Hong Kong offices of Linklaters from 1975 to 1994. He currently is a non-executive director of Mandarin Oriental International Ltd., Jardine Cycle & Carriage Ltd., MCL Land Ltd., Advanced Semiconductor Manufacturing Corporation Ltd. and Asia Satellite Telecommunications Holdings Ltd. and is a member of the audit committees of Jardine Cycle & Carriage Ltd., MCL Land Ltd. and Asia Satellite Telecommunications Holdings Ltd. and the chairman of the audit committee of Advanced Semiconductor Manufacturing Corporation Ltd. and of the remuneration committee of Asia Satellite Telecommunications Holdings Ltd., Jardine Cycle & Carriage Ltd and MCL Land Ltd. Mr. Watkins has a law degree from the University of Leeds (First Class Hons.). His term as director expires in 2011.

Mr. Lees was appointed as a casual director on July 30, 2007, and was elected as a director at the Annual General Meeting on June 11, 2008. Mr. Lees is a senior executive and global expertise and has nearly 30 years of experience working with decision-makers in business and government at the most senior levels across the Asia-Pacific region. He is a senior advisor to the University of Cincinnati and The Triple Helix Institute in Honolulu, Hawaii. Mr. Lees served for many years as secretary general and then president and chief executive officer of the Pacific Basin Economic Council, the Asia-Pacific region’s oldest business organization. Mr. Lees holds a bachelor’s degree from the University of Cincinnati and an MBA from The Thunderbird School of Management. He also completed studies at the Institute of International Studies and Training in Japan. His term as director expires in 2011.

Compensation

For the year ended December 31, 2007, we and our subsidiaries provided our ten directors and executive officers as a group aggregate remuneration, pension contributions, allowances and other benefits of approximately \$4,097,710 including the non-cash compensation of \$1,305,336 associated with the share award and ECP plans. Of that amount, \$110,000 was paid under a performance based, long-term discretionary bonus plan which we implemented in 1989 for members of our senior management. Under the plan, members of senior management may, at our discretion, receive a long-term discretionary bonus payment. The awards, which are payable in either five or ten years time, are paid to a member of senior management if his or her performance is satisfactory to us. There are three current members of senior management and two former members of senior management who may receive payments on maturity.

In 2007, we and our subsidiaries incurred \$28,812 in costs to provide pension, retirement or similar benefits to our respective officers and directors pursuant to our retirement plan and pension plan.

In addition to the above, during the year ended December 31, 2007, we recorded non-cash compensation expenses of \$22,608 associated with the Directors Purchase Plan.

Employment Agreements

We have employment agreements with Merle A. Hinrichs under which he serves as our chairman and chief executive officer. The agreements contain covenants restricting Mr. Hinrichs’ ability to compete with us during his term of employment and preventing him from disclosing any confidential information during the term of his employment agreement and for a period of three years after the termination of his employment agreement. In addition, we retain the rights to all trademarks and copyrights acquired and any inventions or discoveries made or discovered by Mr. Hinrichs in the course of his employment. Upon a change of control, if Mr. Hinrichs is placed in a position of

lesser stature than that of a senior executive officer, a significant change in the nature or scope of his duties is effected, Mr. Hinrichs ceases to be a member of the board or there is a breach of those sections of his employment agreements relating to compensation, reimbursement, title and duties or termination, each of us and such subsidiary shall pay Mr. Hinrichs a lump sum cash payment equal to five times the sum of his base salary prior to the change of control and the bonus paid to him in the year preceding the change of control. The agreements may be terminated by either party by giving six months notice.

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

Board Practices

Our board of directors consists of eight members divided into three classes, the terms of which expire at the general meeting of shareholders to be held in each year indicated above. Each director holds office until his or her term expires and his or her successor has been elected and qualified. At each general meeting of shareholders, directors nominated to a class with a term that expires in that year will be elected for a three-year term. Executive officers serve at the discretion of the board of directors. Officers are elected at the annual meeting of the directors held immediately after the annual general meeting of shareholders. Our executive officers have, on average, 20 years of service with us. One executive director and five non-executive directors receive a cash fee of \$15,000 per year, plus an additional \$4,000 for each board meeting attended. Non-executive directors who are members of the audit committee also receive a cash fee of \$5,000 per year.

Committees of the Board of Directors

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

We have a separately - designated standing compensation committee, consisting of the independent directors. The primary function of the compensation committee is to approve compensation packages for each of the Company's executive officers. The compensation committee held one meeting in the fiscal year ended December 31, 2007.

We have an executive sessions committee, consisting of the independent directors. The executive sessions committee held one meeting in the fiscal year ended December 31, 2007.

Code of Ethics

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

Employees

As of December 31, 2007, we had 439 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	Total
Content Development	58	456	514
Corporate Human Resources & Administration	46	40	86
Corporate Marketing	6	33	39
Community Development	70	102	172
Sales	31	1,752	1,783
Information System Department	84	76	160
Corporate Accounts	83	58	141
Office of the CEO, COO, CIO	11	0	11
Legal and Group Secretarial	5	4	9
Conference & Trade Show Services	45	65	110
Total	439	2,586	3,025

Share Ownership

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

Equity Compensation Plans

We established The Global Sources Employee Equity Compensation Trust (the “Trust”) on December 30, 1999. The Trust is administered by Appleby Trust (Bermuda) Ltd (previously known as “Harrington Trust Limited”) (“Appleby Trust”), 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 Numbers I to VII described below. The number of shares that may be sold pursuant to these plans is limited to the number of our shares held by the Trust. Following our takeover of Trade Media on April 14, 2000, the Trade Media shares were exchanged for our common shares. These Trade Media shares currently represent our common shares. As of April 30, 2008, the Trust holds 1,820,787 of our common shares. Trust has informed us that it does not intend to acquire any additional shares. In exercising its powers, including the voting of securities held in the Trust, the trustee may be directed by a plan committee, selected by the board of directors of one of our wholly owned subsidiaries.

Pursuant to a Declaration of Trust dated November 28, 2006 by Appleby Trust, “The Global Sources Equity Compensation Trust 2007” (“2007 Trust”) was established. The 2007 Trust is administered by Appleby Trust as trustee. The purpose of the 2007 Trust is to administer shares contributed by us to the 2007 Trust from time to time in connection with providing equity compensation benefits under The Global Sources Equity Compensation (2007) Master Plan described below. As of April 30, 2008, no shares have been contributed by us to the 2007 Trust yet. In exercising its powers under the Trust, the Trustee may be directed by a plan committee to be constituted and appointed by us. The plan committee (“ECP 2007 Plan Committee”) was constituted and appointed by the Board of

Directors on February 15, 2007.

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, our subsidiaries or affiliates are eligible to receive option grants under ECP I. Employees, directors and consultants of ours, our subsidiaries or affiliates are eligible to receive grants under ECP II and III. Options granted under ECP I and II will be exercisable, and coupons granted under ECP III will be redeemable, for our shares held by the Trust.

ECPs I, II and III are administered by the trustee subject to the directions of the plan committee of one of our wholly-owned subsidiaries. The plan committee determines who will receive, and the terms of, the options under ECP I and II. The exercise price of these options may be below the fair market value of our shares. Under ECP I, payment for shares being purchased upon exercise of an option may be made in the manner determined by us at the time of grant. Under ECP II optionees may pay for common shares purchased upon

exercise of options by check to the Trust. Under ECP II, the number of common shares that optionees may purchase is based on the number of years they have been employed by, or have been working with us, our subsidiaries or affiliates.

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

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

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

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

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

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

The non-cash compensation expense associated with the awards under ECP II and ECP III of approximately \$2,567,000 and \$2,148,000, respectively, were recognized ratably over the three year vesting term of the respective awards.

Global Sources Equity Compensation Plans Numbers IV and V

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

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

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

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

The Equity Compensation Plan committee approved the awards of common shares under ECP IV and ECP V on January 23, 2001. The Equity Compensation Plan Committee approved additional awards of common shares under ECP IV on various dates during the year 2001 and under ECP V on various dates during the years 2001 and 2002 and on January 2, 2004, on January 2, 2005, on December 31, 2005, on January 17, 2007 (as revoked and cancelled on May 30, 2007), on May 2, 2007 and on September 12, 2007.

The non-cash compensation expenses associated with the above awards under ECP IV and ECP V of approximately \$2,981,000 and \$3,758,000, respectively, are recognized over the five year vesting term of the respective awards.

Global Sources Equity Compensation Plan VI

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

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

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

The non-cash compensation expenses associated with the above awards under ECP VI of approximately \$1,688,000 are recognized over the five year vesting term of the respective awards.

Global Sources Equity Compensation Plan VII

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

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

The Equity Compensation Plan committee approved the awards of common shares under ECP VII in January 2002 and made further awards on March 31, 2003, on June 19, 2003, on January 2, 2004 (as revised on May 7, 2004), on January 3, 2005, on February 13, 2006 and on May 19, 2006. The non-cash compensation expenses associated with the above awards under ECP VII of approximately \$17,707,000 are recognized over the six year vesting term of the respective awards.

The Global Sources Equity Compensation (2007) Master Plan

A new equity compensation plan, known as “The Global Sources Equity Compensation (2007) Master Plan” (“ECP 2007 Master Plan”) was approved by our shareholders on May 8, 2006. The ECP 2007 Master Plan commenced with effect on January 1, 2007 and, unless terminated earlier by our Board of Directors, will expire on December 31, 2012. Our, our subsidiaries’, and our and our subsidiaries’ independent contractors’ employees, directors and consultants (“Team Members”), are eligible to be awarded grants of our common shares under the ECP 2007 Master Plan. The grantees and

the number of shares to be awarded, and the vesting rules and other terms and conditions, are to be as determined by the ECP 2007 Plan Committee, who are authorized under the ECP 2007 Master Plan to issue supplementary or subsidiary documents to set out and evidence such vesting rules and other terms and conditions. The total number of shares to be issued under the ECP 2007 Master Plan is subject to a limit of 3,000,000 common shares.

On November 7, 2006, we filed a Form S-8 Registration Statement under the Securities Act of 1933, with the U.S. Securities and Exchange Commission, for up to 3,000,000 common shares to be issued under the ECP 2007 Master Plan.

On March 6, 2007, the Plan Committee approved and issued “The Global Sources Share Grant Award Plan” as a supplementary or subsidiary document to the ECP 2007 Master Plan. Under the plan, the ECP 2007 Plan Committee is to determine who amongst eligible Team Members will be granted awards of shares and the number of shares to be awarded to them, and to determine the vesting schedule for such awards. The plan commenced with effect on March 6, 2007, and will terminate upon the expiration or termination of the ECP 2007 Master Plan, or upon the liquidation of the Company, or upon termination by the ECP 2007 Plan Committee, whichever is the earliest to occur. The ECP 2007 Plan Committee approved awards of common shares under the plan on March 29, 2007, on April 16, 2007, on May 30, 2007, on July 2, 2007, on January 31, 2008 and on March 10, 2008. The non-cash compensation expenses as of December 31, 2007, associated with the above awards under the plan of approximately \$6,431,000 are recognized over the six year vesting term of the award.

On March 6, 2007, the Plan Committee approved and issued “The Global Sources Retention Share Grant Plan” as a supplementary or subsidiary document to the ECP 2007 Master Plan. Persons eligible to receive grants under the plan are persons who have been Team Members for at least five years, who retire “in good standing” (as determined by the ECP 2007 Plan Committee), and who would otherwise have their unvested shares (under any applicable equity compensation plans) forfeited upon retirement. The ECP 2007 Plan Committee is to determine who amongst eligible persons will be granted awards of common shares. The number of common shares to be awarded to such grantees are calculated according to a formula defined in the plan, and will vest in equal installments over a period of five years after retirement, subject to certain non-compete terms and the grantees remaining “in good standing”. The plan commenced with effect on March 6, 2007, and will terminate upon the expiration or termination of the ECP 2007 Master Plan, or upon the liquidation of the Company, or upon termination by the ECP 2007 Plan Committee, whichever is the earliest to occur. The ECP 2007 Plan Committee approved awards of common shares under the plan on August 6, 2007, on October 29, 2007, on October 30, 2007 and on January 14, 2008. The non-cash compensation expenses as of December 31, 2007, associated with the above awards under the plan of approximately \$222,000 are recognized over the five year vesting term of the award.

Directors Purchase Plan

A 2000 Non-Employee Directors Share Option Plan was approved on October 26, 2000 by the shareholders of the Company. Each eligible Director was entitled to an option to purchase up to 20,000 common shares at a price established at year end.

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

For grants attributable to the year 2001, the option price was 15% less than the average closing price of the shares for the last 5 trading days of the previous calendar year. The award vested over 4 years, with one-quarter of the shares vesting each year. Full payment was required upon exercising the option. Upon resignation of an eligible Director, all unvested shares would be forfeited and the option price received for the forfeited unvested shares would be refunded.

On November 1, 2001, the terms of the plan for prospective grants were amended to require only 15% of the exercise price, to be paid upon the exercise date and that the resignation of a director following his or her exercise of the grant of options and payment of the option price would no longer result in a forfeiture of the subscribed shares. The exercise

price is the average closing price of the shares for the last five trading days of the previous calendar year. The balance of 85% must be paid on or before the end of the holding period, which is four years. The ownership of the awards will transfer after four years.

On February 27, 2002, the terms of the plan for prospective grants were amended to require only 10% of the exercise price to be paid upon exercise date. The balance of 90% must be paid on or before the end of the holding period.

On May 8, 2003, shareholders approved the amendments to the 2000 Non-Employee Directors Share Option Plan to allow both employee and non-employee Directors to participate prospectively in the plan. The plan was renamed as the Directors Purchase Plan by the Board of Directors on August 14, 2003. Directors purchasing the shares under the plan pay 10% of the purchase price, which is the average closing price of the shares for the last five trading days of the previous calendar year, on or before 28th day of February of the relevant year, with the balance of 90% payable by the end of the four year period from that day and the shares will be issued thereafter. The resignation of a Director following his or her purchase of the shares and payment of the 10% initial installment shall not cause a forfeiture of the purchased shares, however, failure to pay the 90% balance of the purchase price before the end of the holding period will result in the 10% deposit being forfeited and all rights under the purchase plan and the issuance of shares to automatically lapse and expire and the shares will not be issued.

At the Board of Directors' meeting on 4 and 5 November 2005, the Board of Directors adopted the "Directors Purchase Plan (as of 5 November 2005)", which consolidated earlier forms of the Directors Purchase Plan and previous shareholders' and Board of Directors' approvals and resolutions pertaining thereto.

On November 7, 2006, the Company filed a Form S-8 Registration Statement under the Securities Act of 1933, with the U.S. Securities and Exchange Commission, for up to 530,000 common shares to be issued under the Directors Purchase Plan (as of November 5, 2005).

All the monies received under the Director Purchase Plan are credited to additional paid in capital upon receipt. Upon issuance of shares under the plan, the par value of the issued shares is transferred from additional paid in capital to common share capital.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth information about those persons who hold more than 5% of our common shares and the share ownership of our directors and officers as a group. The information is based upon our knowledge of the share ownership of such persons on April 30, 2008.

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

On November 27, 2003, Merle A. Hinrichs acquired 20,010,051 of our common shares, after adjustment to reflect the share split resulting from our four bonus share distributions of one share for every ten shares held as of March 1, 2004, as of March 4, 2005, as of March 15, 2006, as of March 16, 2007 and as of January 1, 2008, representing 42.8% of the outstanding common shares, from Hung Lay Si Co. Ltd. As a result, Mr. Hinrichs owns approximately 61.2% of our outstanding common shares as of April 30, 2008. As consideration for the purchase of the common shares, Mr. Hinrichs agreed to pay Hung Lay Si Co. Ltd. the purchase price of \$109,337,056 payable on November 27, 2013. Mr. Hinrichs has granted to Hung Lay Si Co. Ltd. a security interest in all 18,190,955 common shares he purchased

pending payment of the consideration. A copy of the purchase agreement and security agreement was filed by Mr. Hinrichs with the SEC on Schedule 13D on December 8, 2003, and jointly by the Trust and Hung Lay Si Co. Ltd. on Schedule 13D/A on the same day, and reference is made to those filings for the complete terms of the transaction. The agreements provide that in the event of cash dividends declared and paid by us, Mr. Hinrichs will pay to Hung Lay Si Co. Ltd. 50% of the dividends for any of the common shares purchased by Mr. Hinrichs that remain subject to Hung Lay Si Co. Ltd.'s security interest in the shares. If Mr. Hinrichs wishes to transfer or sell any shares subject to those agreements to someone other than Hung Lay Si Co. Ltd., Hung Lay Si Co. Ltd. has a right of first refusal to offer to purchase those shares. If Hung Lay Si Co. Ltd. waives its right to purchase the

shares, upon consummation of a sale to the other person, at least 80% of the proceeds of the sale will be applied to the payment of the purchase price. Hung Lay Si Co. Ltd. may also be deemed, under Securities and Exchange Commission rules, to be a beneficial owner of the shares in which it has a right of first refusal and a security interest.

Name of Beneficial Owner	Common Shares Beneficially Owned	
	Shares	Percentage
Merle A. Hinrichs	28,576,844	61.2%
Hung Lay Si Co. Ltd	3,390,329	7.3%
Appleby Trust (Bermuda) Ltd. (previously know as "Harrington Trust Limited")	1,820,787	3.9%
Jeffrey J. Steiner (1)	741,676	1.6%
Eddie Heng Teng Hua	*	*
J. Craig Pepples	*	*
Bill Georgiou	*	*
Sarah Benecke	*	*
David F. Jones	*	*
Roderick Chalmers	*	*
James Watkins	*	*
Robert Lees	*	*
All officers and directors as a group (10 persons)	29,763,744	63.7%

* Indicates beneficial ownership of less than 1%.

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

As at April 30, 2008, we believe that 14,722,252 of our shares or 31.5% were beneficially owned by U.S. holders and there were 734 shareholders of record in the U.S. (excluding any U.S. holders who may be holding our shares through brokerage firms).

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

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

Related Party Transactions

We have extended loans to some of our employees for the sole purpose of financing the purchase or lease of a residence. The loans for the purchase of a residence are secured by that residence, bear interest at a rate of LIBOR plus 2 to 3% per annum, generally have a term of ten years and become due and payable immediately upon the termination of the employee's employment. The loans for the lease of a residence are unsecured, interest free and are repayable in equal monthly installments over the period of the lease, which is typically less than or equal to 12 months. The maximum loan amounts are limited to the lower of the aggregate of two years' gross compensation of the borrower or \$500,000. The loans were made upon terms and subject to conditions that are more favorable to the

borrowers than those that would customarily be applied by commercial lending institutions in the borrower's country of employment. Since the beginning of 2000, the largest aggregate amount of indebtedness of Mr. Pepples to us, outstanding at any time during such period, was approximately \$32,233. Mr. Pepples has repaid his loan in full in November 2002. Mr. Pepples' loan was interest free and unsecured. Except for the aforementioned loan, there were no other loans due from our directors and executive officers as of December 31, 2005, 2006 and 2007. We do not expect to extend loans to our directors or executive officers to the extent such loans would be prohibited by the Sarbanes-Oxley Act of 2002.

We lease approximately 82,193 square feet of our office facilities from companies controlled by a wholly-owned subsidiary of Hung Lay Si Co. Ltd. under cancelable and non-cancelable operating leases and incur building maintenance services fees to our former affiliated companies. We incurred rental, building services expenses and reimbursement of membership fees for use of club memberships of \$1,008,875 during the year ended December 31, 2007. We also receive investment consultancy services from wholly-owned subsidiaries of Hung Lay Si Co. Ltd. The expenses incurred for these services during the year ended December 31, 2007 was \$50,000.

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

ITEM 8. FINANCIAL INFORMATION

GLOBAL SOURCES LTD. AND SUBSIDIARIES

Index to Consolidated Financial Statements

December 31, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of

Global Sources Ltd.

We have audited the accompanying consolidated balance sheets of Global Sources Ltd. (a company incorporated under the laws of Bermuda) (the “Company”) and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Sources Ltd. and its subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 2(z) and 14 to the consolidated financial statements, on January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”. As described in Notes 2(v) and 2(x), effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R) (revised 2004), Share-Based Payment, which requires the Company to recognize expense related to the fair value of share-based compensation awards. Also, as described in Note 2(y), effective September 30, 2006, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin (“SAB”) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements. In accordance with the transition provisions of SAB No. 108, the Company recorded a cumulative decrease to retained earnings as of January 1, 2006 for correction of prior period errors in recording equity-based compensation charges.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Global Sources Ltd.’s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 17, 2008, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG

Singapore
April 17, 2008

GLOBAL SOURCES LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

	At December 31 2006	At December 31 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 135,093	\$ 197,825
Available-for-sale securities	20,702	-
Accounts receivable, net	6,468	6,665
Receivables from sales representatives	13,238	12,303
Inventory	889	1,108
Prepaid expenses and other current assets	14,174	15,333
Deferred tax assets	-	46
Total Current Assets	190,564	233,280
Property and equipment, net	28,374	35,352
Long term investments	100	100
Bonds held to maturity, at amortized cost	289	99
Deferred tax assets – long term	-	196
Other assets	1,562	2,781
Total Assets	\$ 220,889	\$ 271,808
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 6,804	\$ 5,577
Deferred income and customers' prepayments	62,036	78,141
Accrued liabilities	12,427	12,546
Income taxes payable	751	694
Total Current Liabilities	82,018	96,958
Liabilities for incentive and bonus plans	102	-
Deferred income and customers' prepayments – long term	1,802	4,934
Deferred tax liability	403	283
Total Liabilities	84,325	102,175
Minority interest	2,913	4,940
Shareholders' Equity:		
Common shares, US\$0.01 par value; 75,000,000 shares authorized; 46,572,092 (2006: 46,499,492) shares issued and outstanding	465	466
Additional paid in capital	125,790	133,987
Retained earnings	4,830	28,829
Accumulated other comprehensive income	2,566	1,411

Total Shareholders' Equity	133,651	164,693
Total Liabilities and Shareholders' Equity	\$ 220,889	\$ 271,808

The accompanying notes are an integral part of these financial statements.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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

Year Ended December 31, 2005	2006	2007
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Revenue: