GLOBAL SOURCES LTD /BERMUDA
Form 20-F
June 26, 2009

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
[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2008.

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:

44,543,330 common shares, $0.01 par value, outstanding as of April 30, 2009.

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

Yes No x

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

Yes x No

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

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

Yes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No

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

Large accelerated filer		Accelerated filer	x	Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	x	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other

If "Other" has been checked in response to the previous questions, indicate by check mark with 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 x

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

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

Yes No

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FORWARD-LOOKING STATEMENTS

Except for any historical information contained herein, the matters discussed in this Annual Report on Form 20-F contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may "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" i connection with a year shall mean the year ended December 31.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

– (Not applicable)

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

– (Not applicable)

ITEM 3. KEY INFORMATION

Selected Financial Data

The following historical financial information should be read in conjunction with the section entitled “Operating and Financial Review and Prospects” and our audited consolidated financial statements and related notes, which are included elsewhere in this document. The consolidated statements of income data for each of the three years ended December 31, 2006, 2007 and 2008 and selected consolidated balance sheet data as of December 31, 2007 and 2008 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, 2004 and 2005 and selected consolidated balance sheet data as of December 31, 2004, 2005 and 2006 are derived from our audited financial statements not included in this document.

	Year Ended December 31,				
	2004	2005	2006	2007	2008
	(In U.S. Dollars Thousands, Except Per Share Data)				
Income Statement Data:					
Revenue:					
Online and other media services	$ 92,325	$ 97,062	$ 113,097	$ 125,818	$ 142,129
Exhibitions	13,010	14,300	42,122	51,608	58,179
Miscellaneous	511	832	1,262	4,633	6,584
Total revenue	105,846	112,194	156,481	182,059	206,892
Operating expenses:					
Sales (Note 1)	30,582	34,415	50,380	61,773	73,625
Event production	3,774	3,920	18,414	20,155	21,493
Community (Note 1)	17,983	20,726	24,885	27,086	30,488
General and administrative (Note 1)	31,395	34,666	38,945	44,167	47,525
Online services development (Note1)	4,564	4,235	4,499	5,703	5,992
Amortization of software costs and intangibles	1,480	1,335	1,250	193	193
Total operating expenses	89,778	99,297	138,373	159,077	179,316
Income from operations	$ 16,068	$ 12,897	$ 18,108	$ 22,982	$ 27,576
Interest and dividend income	219	1,624	5,571	6,595	2,884
Gain on sale of available-for-sale securities	1,120	977	309	2,937	—
Gain on sale of shares to non-controlling shareholder and interest income thereon	—	—	7,906	—	—
Loss on investment, net	—	—	(743)	(1,846)	(939)
Impairment of goodwill and intangible assets	—	—	—	(3,101)	—
Foreign exchange gains (losses), net	240	(80)	(714)	(1,213)	(657)
Income before income taxes	17,647	15,418	30,437	26,354	28,864
Income tax expense	(651)	(759)	(899)	(328)	(677)
Net income before non-controlling interest	$ 16,996	$ 14,659	$ 29,538	$ 26,026	$ 28,187
Non-controlling interest	(1,227)	(1,281)	(1,909)	(2,027)	(1,757)
Net income before cumulative effect of change in accounting principle	$ 15,769	$ 13,378	$ 27,629	$ 23,999	$ 26,430
Cumulative effect of change in accounting principle	—	—	251	—	—
Net income	$ 15,769	$ 13,378	$ 27,880	$ 23,999	$ 26,430
	$ 0.34	$ 0.27	$ 0.54	$ 0.47	$ 0.51

Basic net income per share before cumulative effect of change in accounting principle					
Cumulative effect of change in accounting principle	—	—	$ 0.01	—	—
Basic net income per share	$ 0.34	$ 0.27	$ 0.55	$ 0.47	$ 0.51
Diluted net income per share before cumulative effect of change in accounting principle	$ 0.34	$ 0.27	$ 0.54	$ 0.46	$ 0.51
Cumulative effect of change in accounting principle	—	—	—	—	—
Diluted net income per share	$ 0.34	$ 0.27	$ 0.54	$ 0.46	$ 0.51
Cash dividends declared per share	—	—	—	—	—
Shares used in basic net income per share calculations (Note2)	46,632	50,046	51,132	51,218	51,352
Shares used in diluted net income per share calculations(Note2)	46,673	50,089	51,173	51,681	52,230

	December 31,				
	2004	2005	2006	2007	2008
	(In U.S. Dollars Thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 41,195	$ 112,153	$ 135,093	$ 197,825	$ 70,225
Available-for-sales securities	10,172	6,150	20,702	—	60,786
Total assets	92,525	171,680	220,889	271,808	245,098
Net assets	50,433	105,432	136,564	169,633	146,143
Long-term debt, less current portion	2,214	1,091	2,307	5,217	3,362
Total shareholders' equity	45,523	99,241	133,651	164,693	141,920

(Note 1) Non-cash compensation expenses (credit) associated with the employee equity compensation plans and Directors Purchase Plan included under various categories of expenses are approximately as follows: sales expenses: $(2,054) (2007: $4,286, 2006: $1,790, 2005: $505, 2004: $626), community: $173 (2007: $269, 2006: $145, 2005: $103, 2004: $93), general and administrative: $742 (2007: $2,874, 2006: $1,950, 2005: $1,025, 2004: $1,066), and online services development expenses: $237 (2007: $347, 2006: $181, 2005: $315, 2004: $332)

(Note 2) On December 20, 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 767 common shares upon distribution of the bonus shares on February 1, 2008. On February 12, 2009, 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 1,653 common shares upon distribution of the bonus shares on March 31, 2009.

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.

Current and future economic uncertainty, slowdowns, or recessions have reduced and may continue to reduce demand and spending for business-to-business marketing services. As a result we may incur losses and cannot provide any assurance that we will remain profitable and continue to achieve positive cash flow from operations.

The revenue and profitability of our business depends significantly on the overall demand for business-to-business media services. We believe that the demand for these services of ours is subject to potentially negative impacts by a number of factors, including the large recent decline in global trade and the fact that most economies in the world are currently undergoing a period of severe economic recession.

As a result of the current global market conditions, we may incur operating losses and net losses in the future, and we may not be able to achieve positive cash flow from operations. We have a significant fixed operating expense, which may be difficult to adjust in response to unanticipated fluctuations in revenues. In addition, global trade may not recover to the levels of recent years.

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

Our customers in mainland China accounted for approximately 60% of our total revenues in 2007 and approximately 66% of our total revenues in 2008. Our dependence on revenue from the mainland China market 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 and revenue from 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.

International trade, and especially imports from the Greater China region (which includes mainland China, Hong Kong and Taiwan), is subject to political, legal and economic instability, which may inhibit our ability to be successful.

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

- fluctuations in regional and/or global economic conditions;
- fluctuations in the availability of trade finance;
- governments could increase trade protection measures including tariffs, quotas, import duties or taxes, thereby significantly reducing demand for imported goods;
- 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 laws and regulations (or the interpretation, practice or policies in respect thereof by tax authorities), tax rates and tax reporting requirements;
- 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 2008, we derived approximately 90% 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. The reduction in trade between Greater China and the world has caused and may continue to cause our business to be harmed and our revenues to decrease.

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 and our business may not be successful, thereby adversely affecting our financial condition.

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. Some competitors have reduced prices and this competition may require us to reduce prices and result in reduced margins and/or lower market share, either of which may harm our business and financial condition. 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 and therefore affect our financial condition. Increased competition in the industry has caused significant downward pricing pressure. To the extent that potential and existing customers make decisions solely or primarily on price, we may be unable to retain existing customers or attract new customers, or we may be forced to reduce prices to keep existing customers or to attract new customers.

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

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

We sell our online, trade show and magazine products separately and in various combinations. During the last year, we have experienced a decline in revenue per unit of service and a decline in average revenue per customer. 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. Also, if we are unable to maintain 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 and financial condition could suffer.

If our current and potential customers are not willing to renew and adopt our services, we may not attract and retain a critical mass of customers and our business may not be successful and our financial condition could be adversely affected.

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 most booth contracts are for China Sourcing Fairs that will be held within the next 12 months. 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 and financial condition could be adversely affected.

Current and future outbreaks of H1N1, avian influenza, Severe Acute Respiratory Syndrome (“SARS”) or other widespread public health problems could adversely affect our business and financial condition.

In the event of future outbreaks of H1N1, avian influenza, SARS or other widespread public health problems, some ways in which our business and financial condition might be adversely affected could include the following:

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

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 successful or that our financial condition will not be adversely impacted.

In 2008, our China Sourcing Fairs contributed substantially to our 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 was launched in November 2008. Our China Sourcing Fairs are relatively new business initiatives and we are uncertain as to our ability to attract and retain 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 now have access to expanded venue space. Because of these expanded venues, there may be pressure on our pricing and we may not be able to attract the desired quantity and quality of exhibitors and buyers.

Also, because of the uncertainties associated with launching and operating new trade shows and the competition, we may not achieve our desired sales objectives. Furthermore, in an effort to operate 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 and adversely affect our financial condition.

Our China Sourcing Fairs business also requires 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 H1N1, avian influenza, SARS 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 or that our financial condition will not be adversely affected.

We may not provide guidance on our revenues and profitability.

The current global economic conditions have been and may continue to be unpredictable and as such it is difficult for us to predict our business, financial position and results of operations. We have since suspended giving guidance on our revenues and profitability. As a result we may not be able to attract and/or retain independent analyst coverage and this could adversely affect investors willing to invest in our shares and our share price may drop.

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

Our executive officers and key employees are critical to our business and financial condition. Our executive officers and key personnel may not remain with us and their loss may negatively impact our operations, and may jeopardize the success and viability of our business and financial condition. In particular, the services of our chief executive officer, chief financial officer, chief operating officer and chief information officer are important to our operations. If competitors hire our key personnel, it could allow them to compete more effectively by diverting customers from us and facilitating more rapid development of their competitive offerings.

We 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 jeopardizing the success and viability of our business and financial condition.

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, in which case our financial condition could be adversely affected.

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 manage its 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 64% of our total revenues for the year ended December 31, 2008. 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, and our financial condition 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 and financial condition may be harmed.

Our lengthy sales and implementation cycle could cause delays in concluding sales contracts with customers, thereby adversely affecting our business objectives and success, and therefore our financial condition.

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 the conclusion of sales contracts with customers, thereby adversely affecting our business objectives and success, and therefore our financial condition.

Our China Global Sources Online website, which we recently launched to facilitate trade in mainland China’s domestic market, is generating very little revenue and may not ever be profitable.

We launched our China Global Sources Online website in November of 2007 to facilitate trade in mainland China’s domestic market. Our China Global Sources Online website is distinct and separate from our export marketing website, English Global Sources Online. We have generated very little revenue since our launch and may not ever achieve profitability. 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 contribute to our financial success. We cannot be sure that the China Global Sources Online website will be successful and its failure could have a materially adverse effect on our future success.

We depend upon Internet search engines and other online marketing channels 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 operating results and financial condition 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, 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 and financial condition.

We also rely on other online marketing channels (such as “pay per click” marketing) as an 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 operating results and financial condition 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 and financial condition.

Exports from mainland China are key to our current and future success 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.

In recent years, there have been 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 and financial condition may consequently suffer.

If our sales representatives are unable to manage the challenging economic and competitive environment and/or if we are unable to implement appropriate controls and procedures to manage our business, our competitiveness and/or business success may be harmed, thereby adversely affecting our financial condition.

Our success will depend in part upon the ability of our sales representatives to manage the difficult economic and competitive environment. If 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 and financial condition may be harmed. To manage 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 these issues successfully, our competitiveness and/or business and financial success may be harmed.

We may not be successful in identifying, consummating and/or effectively integrating acquisitions, joint ventures and alliances to expand our business, in which event our financial condition could be adversely affected.

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, competitiveness and/or business success, and therefore our financial condition, 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. In such circumstances, our financial condition could be adversely affected.

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

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 and financial condition.

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

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 and financial condition.

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 opportunities, in which event, our financial condition could be adversely affected.

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 opportunities. In such circumstances, our growth potential, competitiveness and/or business success, and consequently our financial condition, may be harmed.

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

We may be subject to legal claims relating to the content on Global Sources Online or our other websites, or the downloading and distribution of such content, as well as legal claims arising out of the products or companies featured in our trade publications and at our tradeshows. Claims could involve matters such as libel and defamation, negligent misstatements, 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 and financial condition 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 and financial condition.

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, operating results and financial condition.

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 and financial condition 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 results of operations and financial condition.

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 impairment 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 and financial condition over time. Although, to date, our efforts to comply with applicable laws and regulations have not hurt our business and financial condition, 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.

We own substantial commercial real estate in mainland China with associated legal ownership risks, given the fact that the interpretation of mainland China laws and regulations involves uncertainty.

The mainland China legal system is based on written statutes, and prior court decisions can only be used as a reference. For some time now, the mainland China government has been promulgating laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of mainland China laws and regulations involves a degree of uncertainty. Some of these laws may be changed without being immediately published or may be amended with retroactive effect. In addition, any litigation in mainland China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under its permits, and other statutory and contractual rights and interests relating to the substantial commercial real estate which we own in mainland China.

The value of our commercial properties in mainland China and Hong Kong may fall below the carrying value, requiring us to recognize an impairment charge.

We own commercial property in Shenzhen's new commercial business district, which is equivalent in standard to "Grade A" private office premises in Hong Kong ("Grade A" private office premises in Hong Kong are defined by the Hong Kong Rating and Valuation Department, and generally understood by the Hong Kong property market, to mean premises situated in buildings designed for commercial purposes which are modern with high quality finishes; have a flexible layout; have large floor plates; have spacious, well decorated lobbies and circulation areas; have effective central air-conditioning; have good lift services zoned for passengers and goods deliveries; have professional management; and have parking facilities normally available). We also own commercial property in Hong Kong. The total purchase cost of these properties was approximately US$76 million, and their total market value was approximately US$99 million as at December 31, 2008. However, real estate markets are cyclical and valuation year-on-year is uncertain, given global- and country-specific demand and supply drivers. As a result, we may not be able to recover the carrying value of our properties, which may require us to recognize an impairment charge in future earnings.

Apart from the U.S. treasury bills which we hold, a significant portion of our cash and cash equivalents are held as cash deposits with various banks. In the event of an insolvency of such banks, we may not be able to recover our cash from them in full or in part or there may be prolonged delays in such recovery.

In some of the jurisdictions of the banks with whom we place our cash, for example, Hong Kong and Singapore, cash deposits with banks there are guaranteed by the respective governments in the event of an insolvency of such banks, as an economic stabilization and confidence boosting measure by such governments in response to the current global banking and financial crisis. However, these government guarantees typically have defined expiration dates after which they would no longer apply, and there is a risk that they could be revoked or terminated or their scope and terms could be revised. Moreover, in the event of an actual bank insolvency, there is also a risk that the government concerned may fail or be unable to fulfill its guarantee commitments in part or at all. Hence, we may not be able to rely on such government guarantees to recover our cash deposits with a guaranteed bank, in the event of its insolvency, whether in full or in part, and whether in a timely manner or at all.

Foreign exchange rate fluctuations may have a material impact on our operating results, revenues and profits.

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.

During 2008, the RMB appreciated versus the U.S. Dollar and other currencies. If the RMB appreciates further, our current and potential supplier customers may become less competitive with suppliers from other regions, leading to less demand for our advertising services. Although we bill in RMB and have expenses in RMB in mainland China, if the RMB appreciates further, it could have an adverse effect on our financial condition.

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

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 2008, approximately 31% of our revenue was generated during the second quarter and approximately 31% during the fourth quarter. The first quarter accounted for approximately 20% of revenue in 2008 and the third quarter accounted for approximately 18% of revenue in 2008. 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, 2009 we had approximately 966 shareholders, and approximately 15,067,841 outstanding common 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 management. As a result, these sales may make it more difficult for us to sell equity or equity related securities in the future at a time or price that is appropriate.

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

Future sales of common shares by us or our existing shareholders could adversely affect the prevailing market price of the common shares. As of April 30, 2009, we had 44,543,330 common shares outstanding, out of which at least 30,290,251 common shares outstanding are beneficially owned by people who may be deemed “affiliates”, as defined by Rule 405 of the Act. Of these 30,290,251 shares, 29,459,806 shares 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 major shareholder and he may take actions that conflict with your interest.

As of April 30, 2009, Merle A. Hinrichs beneficially owned approximately 47.0% of our common shares, as well as being our Chairman and Chief Executive Officer. Accordingly, Mr. Hinrichs has substantial voting influence over the election of our directors, the appointment of new management and the opposition of 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 and substantial voting influence may have the effect of delaying or preventing a change of control, even if a change of control is in the best interest of all shareholders. In addition, Mr. Hinrichs may still effectively control our company even if his share holdings are significantly reduced. There may be instances in which the interest of our major 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 and financial condition.

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 results of operation and financial condition.

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, results of operations and financial condition.

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 and financial condition.

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 and financial condition. 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, thereby adversely affecting our financial condition.

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 and financial condition.

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 business and financial success 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 and financial condition. 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 incorporated 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 is 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, that there is some uncertainty 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.

We are a "foreign private issuer," and have disclosure obligations that are different than those of other U.S. domestic reporting companies, so you should not expect to receive information about us in the same amount and/or at the same time as information received from, or provided by, other U.S. domestic reporting companies.

We are a foreign private issuer and, as a result, we are not subject to certain of the requirements imposed upon U.S. domestic issuers by the Securities and Exchange Commission ("SEC"). For example, we are not required to issue quarterly reports or proxy statements. We are allowed six months to file our annual report with the SEC instead of approximately three, and we are not required to disclose certain detailed information regarding executive compensation that is required from U.S. domestic issuers. Further, our directors and executive officers are not required to report equity holdings under Section 16 of the Securities Act. As a foreign private issuer, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5.

Since many of the disclosure obligations required of us as a foreign private issuer are different than those required by other U.S. domestic reporting companies, our shareholders, potential shareholders and the investing public in general, should not expect to receive information about us in the same amount and/or at the same time as information received from, or provided by, other U.S. domestic reporting companies.

We are liable for violations of the rules and regulations of the SEC which do apply to us as a foreign private issuer. Violations of these rules could affect our business, results of operations and financial condition.

While we believe that we currently have adequate internal control procedures in place, we are still exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act of 2002.

Under the supervision and with the participation of our management, we have evaluated our internal controls systems in order to allow management to report on, and our registered independent public accounting firm to attest to, our internal controls, as required by Section 404 of the Sarbanes-Oxley Act. We have performed the system and process evaluation and testing required in an effort to comply with the management certification and auditor attestation requirements of Section 404. As a result, we have incurred additional expenses and a diversion of management's time. If we are not able to continue to meet the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or by NASDAQ. Any such action could adversely affect our financial results and the market price of our shares.

Should our directors or officers incur personal liabilities in connection with the performance of their duties, such liabilities could be substantial. Our insurance coverage for such directors' or officers' liabilities may be inadequate, and we may have to indemnify them (if and to the extent applicable and permissible) out of our own funds.

Our insurance coverage for the potential personal liabilities of our directors and officers is limited and may not be sufficient to cover the scope or extent of such liabilities. In such event, our directors and officers may have to rely in whole or in part on indemnities from out of our funds (see "Personal Liability of Directors and Indemnity" under Item 10 for a description of the personal liabilities of our directors and the indemnities by us which may be available to our directors and officers). If and to the extent such indemnities are applicable and permissible, they could be substantial.

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.

The core business uses English-language media to facilitate trade from Greater China (which includes mainland China, Hong Kong and Taiwan) to the world. The other business segment utilizes Chinese-language media to enable companies to sell to, and within Greater China.

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, 2008, 2007 and 2006 amounted to $51.5 million, $11.3 million and $4.9 million respectively. For 2008, such expenditure was incurred mainly for purchase of office premises in mainland China and Hong Kong, computers, software, leasehold improvements, office furniture and software development. For 2007, such expenditure was incurred mainly on computers, software, leasehold improvements, office furniture and software development. For 2006, 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, 2008, 2007 and 2006 amounted to $0.06 million, $0.3 million and $0.002 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 38 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 three primary channels – online marketplaces, print magazines and trade shows – 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, one of China's largest import and export sectors.

We serve an independently certified buyer community of over 803,000 active members (as of the end of March 2009) in more than 200 countries and territories. This community has more than tripled in size from 209,000 at the end of 2000. During the twelve months ended March 31, 2009, buyers sent more than 67 million sales leads, or requests for information (RFIs), to the more than 190,000 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 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,		
	2006	2007	2008
	(In U.S. Dollars Thousands)		
Revenue:			
Online and other media services	$ 113,097	$ 125,818	$ 142,129
Exhibitions - trade shows and seminars	42,122	51,608	58,179
Miscellaneous	1,262	4,633	6,584
	$ 156,481	$ 182,059	$ 206,892

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

	Year Ended December 31,		
	2006	2007	2008
	(In U.S. Dollars Thousands)		
Revenue:			
Asia	$ 146,315	$ 171,621	$ 196,123
United States	7,610	8,596	9,152
Europe	1,571	242	459
Others	985	1,600	1,158
Consolidated	$ 156,481	$ 182,059	$ 206,892

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at 70% of total revenue during fourth quarter of 2008. Our revenue is derived from two primary sources:

Online and other media; and Exhibitions – trade shows and seminars. Online and other media services consists of following two primary revenue streams:

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

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

Exhibitions - Trade Shows and Seminars - Our China Sourcing Fairs 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

Global trade has declined significantly since the fall of 2008, concurrent with the financial crises and the global recession. However, 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, has become a significant exporter and importer. Also, China has become the world's largest manufacturing country.

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, particularly 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 use 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 offer 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 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 have the most suitable capabilities and/or who 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.

Buyers can reach a large potential supply base on Global Sources Online by searching among, and/or making inquiries to, approximately 196,000 suppliers. Suppliers are categorized as verified or unverified according to the products they can supply. In listing suppliers for a specific product, we give prominence to those verified suppliers who pay to maintain a marketing website with us.

Trade Shows

Our largest shows are in Hong Kong. We currently have six China Sourcing Fairs scheduled for 2009 in Hong Kong, with each to be held in the spring and fall. A new seventh show will launch in fall 2009 in Hong Kong. The shows bring buyers from around the world to meet face-to-face with suppliers. Our China Sourcing Fairs include Electronics & Components, Fashion Accessories, Gifts & Premiums, Home Products, Baby & Children’s Products, Underwear & Swimwear and Security Products. We have also added various smaller versions of many of these shows in recent years in India, Dubai and Shanghai.

Trade Publications

We publish thirteen monthly publications that are circulated to buyers worldwide. Our trade publications come in print and digital formats and 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 offer samples of our trade magazines free-of-charge to qualified buyers.

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 50 of these reports in 2008. 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 19 online and 5 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 beta-launched at the end of November 2007 offering its services free of charge to qualified advertisers on our English language site. In April 2008, we began charging for this service. Two shows were launched in December 2007 in Shanghai: Baby & Children’s Products and Fashion Accessories. In January 2010, the shows are scheduled to move forward one month and will be held, in Shanghai, along with a new show called Gifts & Premiums.

Mission and Business 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

We have a large market opportunity primarily focused on China's exports and domestic B2B market. 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.

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

1. Market Penetration

Our existing markets offer significant opportunities. For example, for Global Sources Online, our export-focused online business, we anticipate continued good performance. We believe it offers the premier search experience in our industry and a leading supplier verification services.

2. New Product Development

We continue developing our China Sourcing Fairs. In 2008, we launched new China Sourcing Fairs in Dubai, China and India. In 2009, we are scheduled to have 30 shows overall, compared to 27 in 2008. We are focused on specialization and have established unique market positions for categories including Security Products, Fashion Accessories, Baby & Children's Products, and Underwear & Swimwear.

3. Expansion into China's Domestic B2B Market

We intend to continue developing existing products and launch new products and services 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. For example, in 2008 we began to monetize our new site China Global Sources Online at www.globalsources.com.cn.

4. Acquisitions and/or Alliances

We intend to support our strategy by looking for 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.

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 Auto Parts & Accessories	Global Sources Gifts & Premiums
Global Sources Baby & Children's Products	Global Sources Hardware & DIY
Global Sources Computer Products	Global Sources Home Products
Global Sources Electronic Components	Global Sources Security Products
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: Electronics & Components	· Primary product categories include: consumer electronics; digital entertainment; in-car electronics; computer & networking; telecom & wireless products; WiFi & VoIP products; GPS products; health & personal care electronics; iPod accessories; electronic components; interconnection technology; opto-electronics and power supplies. · Spring and fall 2009 events in Hong Kong.
China Sourcing Fair: Gifts & Premiums	· Primary product categories include: Christmas & seasonal products; electronic premiums, watches & clocks; general gifts; gift boxes; photo frames; promotional & travel mugs; promotional bags, caps & garments; promotional keychains, badges & pins; stationery & paper and trinkets & jewelry boxes. · Launched in spring 2009. · Spring and fall 2009 events in Hong Kong.
China Sourcing Fair: Home Products	· Primary product categories include: kitchenware; glassware & tableware; ceramics & porcelain; household products; storage; laundry & cleaning products; bathroom products; health & personal care products; arts & crafts; home décor; oil paintings & wall decorations; home textiles; garden & outdoor; table lamps & decorative lighting; furniture & furnishings and sports & leisure. · Launched in spring 2009. · Spring and fall 2009 events in Hong Kong.
China Sourcing Fair: Fashion Accessories	· Primary product categories include: casual & fashion bags; evening bags; hats & caps; fashion belts; fashion jewelry; hair accessories; ties, scarves & shawls; socks; knitted accessories; casual & fashion footwear; umbrellas; gloves & mittens; sunglasses and travel bags & luggage. · Spring and fall 2009 events in Hong Kong.
China Sourcing Fair: Underwear & Swimwear	· Primary product categories include: underwear; swimwear, beachwear & accessories; sleepwear and fabrics; lace & trimmings. · Spring and fall 2009 events in Hong Kong.
China Sourcing Fair: Baby & Children’s Products	· Primary product categories include: baby & children’s garments; beddings; furniture; safety products; care & bath products; feeding products; travel products; footwear; fashion accessories; bags; toys, games & puzzles; masks & costumes and outdoor play equipment. · Spring and fall 2009 events in Hong Kong.

China Sourcing Fair: Security Products	·	Primary product categories include: CCTV and digital surveillance; home security; access controls and alarms

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Trade Show / Exhibition	Description	
	·	Will launch in fall 2009 in Hong Kong
India Sourcing Fair: Home Products	·	Primary product categories include: metalware; glassware; kitchenware; home décor; coir products; steel & plastics; home textiles; arts & crafts; leather products and bamboo & cane handicrafts.
	·	Spring and fall 2009 in Hong Kong, and June 2009 in Dubai

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; 6 application specific websites for Chinese engineers; and 2 design channels for India-based engineers.
Electronic Design – China Online	·	Provides China's design engineers with access to detailed solutions, methodologies and white papers.
Electronics Supply & Manufacturing – China Online	·	Provides managers in China's electronics industry daily news updates, new product rollouts, new manufacturing strategies, and the latest technology and supplier reviews.
Webinars	·	Various webinars are offered throughout the year to provide corporate, engineering, procurement and manufacturing management with access to new manufacturing strategies, technology and supplier news.

Website		Description
Chief Executive China Online	·	The default management portal for China executives in simplified Chinese, with channels focus on leadership, strategy and management.
Elegant Living Online	·	The number one leisure vertical for China executives, offering information on how to strike a balance between work and daily life.

Trade Shows

Trade Shows		Description
The 14th Annual International IC-China Conference & Exhibition (IIC-China)	·	China’s largest system design event showcasing new IC technologies and the latest application methodology.
	·	Spring 2009 events in China’s key technology hubs Shenzhen, Beijing, Shanghai and Xi'an attracted 36,046 visitors.
	·	Fall 2009 shows in September will bring new technologies to emerging technology hubs of Wuhan, Dongguan and Chengdu.

Magazines

Magazine		Description
EE Times - Asia	·	Editions published monthly in simplified and traditional Chinese and Korean; provides engineering managers and design engineers in China, Taiwan and South Korea 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.
Electronics Supply & Manufacturing - China	·	Published monthly in simplified Chinese; provides corporate, engineering and procurement management in China with strategic business and technology information.
Global Sources Chief Executive China	·	A leading relevant management “how-to” guide for China senior executives; monthly bound-in “Elegant Living” lifestyle section as supplement. Published monthly in simplified Chinese.

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. · Scheduled for January 2010 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. · Scheduled for January 2010 in Shanghai..
China Sourcing Fair: Gifts & Premiums	· Highly targeted exhibitions, offering international & mainland China buyers the widest selection of quality products from international and Greater China suppliers. · Scheduled for January 2010 in Shanghai.

Dubai & Mumbai

Trade Shows / Exhibitions	Description
China Sourcing Fairs in Dubai for Electronics Fashion Accessories Gifts & Premiums Home Products	· Highly targeted exhibitions, offering importers and volume buyers in the Middle East, North Africa, India and Europe the widest selection of quality products from Greater China suppliers. · Held annually in Dubai in June. · The 2009 shows will be one of the largest-ever with over 1,100 booths.

China Sourcing Fairs in Mumbai for Electronics & Components Hardware & Building Materials Auto Parts & Accessories	·	Highly targeted exhibitions serving importers and volume buyers in India and surrounding markets who seek high-quality products from competitive Greater China suppliers.
	·	Held annually in Mumbai, India in November.
	·	The events are being managed by Pico Event Management under license from Global Sources.

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Customers

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

Suppliers

During 2008, 16,514 suppliers paid us for marketing or advertising services and there were 16,913 suppliers who paid us for marketing or advertising services for the period from April 1, 2008 to March 31, 2009. Approximately 90% of these suppliers were located in Greater China. No individual supplier customer represented more than 1% of our revenue during 2008.

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 800,000 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 March 31, 2008 or registered and double opted-in to receive product alert e-mails as of March 31, 2008 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 2,656 independent representatives in approximately 69 cities worldwide, with 44 of these locations in Greater China. We have a staff of 33 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 seven sales representative organizations in China accounted for approximately 66% of our total revenue in 2008.

Our marketing strategy leverages our database of approximately 190,000 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 505 team members as of December 31, 2008, 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 printed and digital 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 (now known as TechInsights), 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.

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. A description of the agreements between eMedia and Penton is set out in Note 26 of our consolidated financial statements appearing elsewhere in this annual report.

Technology and Systems

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

We have invested $11.7 million for years 2007 and 2008 combined in online services development.

As of December 31, 2008, we had 159 team members engaged in technology development, maintenance, software customization and data center operations.

As of December 31, 2008, our online marketplace services are run on the Oracle DBMS release 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 in excess of 3.1G bps 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, 2008 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, the United Arab Emirates 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, various legislative and regulatory proposals are frequently 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 ISPs in a manner similar to long distance telephone carriers and to impose access fees on such providers. Some ISPs 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 aggregate approximately 104,327 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, 2008 were approximately $1.45 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.

In May 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 $34.4 million, and paid a deposit of approximately $0.2 million. Subsequently, in July 2008, we entered into the final property purchase agreements, and paid an additional deposit of approximately $17 million. Our payment of the balance of the total purchase price, in an amount of approximately $17.2 million, and delivery of the property to us, was completed in the third quarter of 2008.

In June 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, occurred in the third quarter of 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 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Overview

We are a leading 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 38 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 two principal sources.

Online and other media services; and Exhibitions-trade shows and seminars.

Online and other media services consists of following two primary revenue streams:

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 advertisement is displayed.

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 to 2008. In addition, in 2007 we launched new China Sourcing Fairs events in Dubai and Shanghai and in 2008 we launched new China Sourcing Fairs events in India. 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 2008 in the current year and these same exhibitions were held in March 2007 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.

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, net of discounts, is recognized ratably over the period in which the advertisement is displayed. Advertising contracts generally 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 receive royalties from licensing our trade and service marks. Royalties from license arrangements are earned ratably over the period in which the advertisement is displayed by the licensee.

We derive income from 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 amount of shipping costs invoiced to the buyers 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 and the associated direct transaction costs 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 Statement of Financial Accounting Standards (“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, 2006	2007	2008
Income statement data:			
Revenue:			
Online and other media services	72%	69%	69%
Exhibitions	27	28	28
Miscellaneous	1	3	3
Total revenue	100	100	100
Operating expenses:			
Sales	32	34	36
Event production	11	11	10
Community	16	15	15
General and administrative	25	24	23
Online services development	3	3	3
Amortization of software costs	1	-	-
Total operating expenses	88%	87%	87%
Income from operations	12%	13%	13%
Net income	18%	13%	13%

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

	Year Ended December 31, 2006	2007	2008
Asia	93%	94%	95%
United States	5	5	4
Europe	1	0	0
Others	1	1	1
Total revenue	100%	100%	100%

Fiscal Year 2008 Compared to Fiscal Year 2007

Revenue

Total revenue grew to $206.9 million during the year ended December 31, 2008 from $182.1 million during the year ended December 31, 2007, a growth of 14% driven primarily by the growth in our Online and Other Media Services revenue. Our Online and Other Media Services revenue grew by $16.3 million or 13% to $142.1 million during the year ended December 31, 2008, as compared with $125.8 million during the year ended December 31, 2007 due to a 25% growth in our China market and the growth in our Taiwan and United States markets, partially off-set by a decline in our other markets during the year ended December 31, 2008. Included in our Asia market is our China market, which represented 65% of Online and Other Media Services revenue during the year ended December 31, 2008 compared to 59% during the year ended December 31, 2007. Our Exhibitions revenue grew from $51.6 million during the year ended December 31, 2007 to $58.2 million during the year ended December 31, 2008, a growth of 13%, due mainly to growth in revenue of our China Sourcing Fairs held in Hong Kong and Dubai during the second quarter of 2008 and in Hong Kong, India and China during the fourth quarter of 2008 and the growth in our International IC China Conferences and Exhibitions held in the first quarter of 2008. Our Exhibitions revenue from China grew by 19% during the year ended December 31, 2008 compared to year ended December 31, 2007. Included in our Asia market is our China market, which represented 69% of Exhibitions revenue during the year ended December 31, 2008 compared to 65% during the year ended December 31, 2007.

We have made substantial progress in developing our customer base in China, our largest market. Total revenue from China grew by 24% during the year ended December 31, 2008 compared to the year ended December 31, 2007. The decline in consumer demand in United States and Europe is resulting in a decline of exports from mainland China to these markets. Such a decline in export business in mainland China may adversely affect our revenue.

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, the 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 operating costs for our sales departments and the commissions, marketing fees 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 $61.8 million during the year ended December 31, 2007 to $73.6 million during the year ended December 31, 2008, an increase of 19% due mainly to increase in sales commission resulting from an increase in revenue and an increase in sales marketing fees for new initiatives off-set partially by a reduction in non-cash compensation expense relating to share awards to sales team members under our equity compensation plans (Please see paragraph on “Non-Cash Compensation Expense in this Item 5”).

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 6% from $20.2 million during the year ended December 31, 2007 to $21.5 million during the year ended December 31, 2008, primarily due to an increase in the number of booths sold in our China Sourcing Fairs exhibition events in Dubai and Hong Kong and our China Sourcing Fairs exhibition events held for first time in India and an increase in the number of our International IC China Conferences and Exhibitions in 2008 compared to 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 $27.1 million during the year ended December 31, 2007 to $30.5 million during the year ended December 31, 2008, an increase of 13%. This increase was due mainly to an increase in bulk circulation costs, paper costs, magazine subscription promotion costs, payroll costs, fees paid to third parties and 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 $44.2 million during the year ended December 31, 2007 to $47.5 million during the year ended December 31, 2008, an increase of 7%, due mainly to the increases in fees paid to third parties, content management services costs, information technology services costs, marketing costs and depreciation costs off-set partially by a reduction in non-cash compensation expense relating to share awards (Please see paragraph on "Non-Cash Compensation Expense in this Item 5").

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 5% from $5.7 million during the year ended December 31, 2007 to $6.0 million during the year ended December 31, 2008 due mainly to increases in computer equipment and software maintenance 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 to both employees and consultants, who are non-employees. We also recognize non-cash compensation expenses relating to the shares purchased by our directors under Directors Purchase Plan.

The total non-cash compensation credit, resulting from the equity compensation plans and the Directors Purchase Plan recorded by us and included under the respective categories of expenses during the year ended December 31, 2008 was $0.9 million compared to an expense of $7.8 million recorded during the year ended December 31, 2007. The reduction is due mainly to re-measurement of equity compensation expense relating to non-employee share awards based on our prevailing share price and the completion of vesting of some of the past share awards, off-set partially by the new share awards during the year ended December 31, 2008.

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

As of December 31, 2008 there was approximately $8.3 million of unrecognized non-cash compensation cost associated with the awards under the above equity compensation plans, which is expected to be recognized over the next six years.

Amortization of software costs

Amortization of software costs was $0.2 million during both the year ended December 31, 2008 and the year ended December 31, 2007.

Income from Operations

The total income from operations during the year ended December 31, 2008 was $27.6 million as compared to $23.0 million during the year ended December 31, 2007. The growth in total income from operations resulted mainly from growth in revenue, 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 $22.3 million during the year ended December 31, 2007 to $25.0 million during the year ended December 31, 2008, a growth of 12%. The growth resulted mainly from growth in online and other media services revenue, off-set partially by increases in sales costs, community costs, general and administrative costs and online services development costs. Income from operations for exhibition services grew to $1.8 million during the year ended December 31, 2008 from a loss of $0.2 million during the year ended December 31, 2007. The growth resulted mainly from growth in exhibitions revenue, off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs.

Interest and dividend income

We recorded interest income of $2.9 million arising mainly from U.S. Treasury securities compared to interest income of $6.6 million during the year ended December 31, 2007. The decline in interest income was mainly due to lower yield on U.S. Treasury securities.

Impairment loss on investment and available-for-sale securities, net

During year ended December 31, 2008, we recorded an impairment charge of approximately $0.9 million on our investment in available-for-sale securities as management determined that the impairment was other than temporary. During the year ended December 31, 2007, we recorded an impairment charge of approximately $2.3 million on our investment in HC International, Inc and received a $0.5 million payment pursuant to the indemnification obligations of the vendor under the purchase agreement for the HC International investment. The net impairment loss of $1.8 million reflected on the consolidated statement of income represents the impairment loss, net of the $0.5 million received. There was no such impairment charge relating to investment in HC International for the year ended December 31, 2008 as we sold all our investment in HC International, Inc during the fourth quarter of 2007.

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.

We reported a tax provision of $0.7 million during the year ended December 31, 2008 and $0.3 million during the year ended December 31, 2007. The lower tax expense during 2007 was explained in paragraph ‘Income Taxes’ under Section ‘Fiscal Year 2007 compared to Fiscal Year 2006’ in this Item 5.

Net Income

Net income was $26.4 million during the year ended December 31, 2008, compared to a net income of $24.0 million during the year ended December 31, 2007. The growth in net income resulted mainly from growth in revenue and a reductions in foreign exchange loss, impairment loss on available-for sale securities, impairment charges on goodwill and intangible assets and in the share of profits attributable to a non-controlling shareholder, off-set partially by increases in sales costs, event production costs, community costs, general and administrative costs, online services development costs and decline in the interest income and decline in gain on sale of available for sale securities .

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

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.