GLOBAL SOURCES LTD /BERMUDA
Form 20-F
April 26, 2012

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, 2011.
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 ....
....

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)

Connie Lai, Chief Financial Officer
Telephone: (852) 25554864
E-mail: connielai@globalsources.com
Facsimile: (852) 28700955

Global Sources Ltd.
c/o Equitable Accounting Services Limited,
22/F Vita Tower, 29 Wong Chuk Hang Road, Hong Kong
(Name, Telephone, E-mail and /or Facsimile number and Address of Company Contact Person)

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 Global 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:

33,979,600 common shares, $0.01 par value, outstanding as of February 29, 2012.

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

Yes o	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 o	No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data 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 o	No o

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 o	Accelerated filer x	Non-accelerated filer o

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

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

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 o Item 18 o

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 o 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 o No o

TABLE OF CONTENTS

GENERAL INFORMATION

FORWARD-LOOKING STATEMENTS

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

These risks include:

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

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

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

SPECIAL NOTE ON OUR FINANCIAL INFORMATION PRESENTED IN THIS ANNUAL REPORT

Our consolidated financial statements included in this Annual Report on Form 20-F have been prepared in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. We adopted IFRS effective as at December 31, 2010. Our consolidated financial statements as of and for the year ended December 31, 2009 were originally prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and were restated in accordance with IFRS for comparative purposes only.

In accordance with rule amendments adopted by the U.S. Securities Exchange Commission (“the SEC”), which became effective on March 4, 2008, we do not provide a reconciliation to U.S. GAAP. Furthermore, pursuant to the transitional relief granted by the SEC in respect of the first-time adoption of IFRS, we have only provided financial information for three fiscal years ended December 31, 2009, December 31, 2010 and December 31, 2011 in this Annual Report as presented under IFRS.

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

1

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 tables present the selected historical financial data of our company as of and for each of the years in the three-year period ended December 31, 2011. The selected financial information as of and for the years ended December 31, 2009, 2010 and 2011 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, 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, 2009, 2010 and 2011 and selected consolidated balance sheet data as of December 31, 2010 and 2011 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this document. The selected consolidated balance sheet data as of December 31, 2009 are derived from our audited financial statements not included in this document.

As disclosed above under "Special Note on Our Financial Information In This Annual Report", our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 have been prepared and presented in accordance with IFRS, as issued by the International Accounting Standards Board.

	Year ended December 31,		
	2011	2010	2009
	(In U.S. Dollars Thousands, Except Number of Shares and per Share Data)		
Income Statement Data:			
Revenue			
Online and other media services	$141,475	$122,203	$113,775
Exhibitions	77,973	69,450	55,147
Miscellaneous	5,617	4,996	3,985
	225,065	196,649	172,907
Operating Expenses:			
Sales (Note 1)	81,363	71,923	63,740
Event production	24,637	21,875	18,385
Community and content (Note 1)	34,078	31,923	34,524
General and administrative (Note 1)	40,660	33,463	30,045
Information and technology (Note 1)	12,607	11,839	11,784
Total Operating Expenses	193,345	171,023	158,478
Profit from Operations	31,720	25,626	14,429
Interest income	360	510	981
Gain on sale of available-for-sale securities	—	1,223	—

Profit before income taxes	32,080	27,359	15,410
Income tax expense	(1,613)	(1,117)	(498)
Net profit	30,467	26,242	14,912
Net profit attributable to non-controlling interests	(991)	(991)	(618)
Net profit attributable to the Company's shareholders	$29,476	$25,251	$14,294
Basic net profit per share attributable to the Company's shareholders	$0.87	$0.63	$0.32
Diluted net profit per share attributable to the Company's shareholders	$0.83	$0.61	$0.31
Cash dividends declared per share	—	—	—
Shares used in basic net profit per share calculations	33,742,648	40,283,874	44,546,226
Shares used in diluted net profit per share calculations	35,385,218	41,693,616	45,751,437

	As at December 31,		
	2011	2010	2009
	(In U.S. Dollars Thousands Except Number of Shares)		
Balance Sheet Data:			
Cash and cash equivalents	$81,903	$101,298	$91,553
Financial assets, available-for-sale	$13,250	$—	$6,423
Total assets (Note 2)	$276,330	$225,703	$271,593
Net assets	$138,554	$102,460	$171,581
Long-term debt, less current portion	$9,800	$8,107	$4,107
Total Company shareholders' equity (Note 2)	$129,673	$94,295	$164,067
Common share capital	$518	$516	$514
Common shares outstanding (Note 2)	33,793,948	33,573,540	44,552,642

____

(Note 1) Non-cash compensation expenses associated with the employee and non-employee equity compensation plans, Global Sources Directors Share Grant Award Plan included under various categories of expenses are approximately as follows: sales expenses: $737 (2010: $545 ; 2009: $691), community and content: $234 (2010: $284 ; 2009: $228), general and administrative: $1,528 (2010: $1,089 ; 2009: $556), and information and technology expenses: $278 (2010: $269 ; 2009: $263).

(Note 2) On 24 June 2010, the Board of Directors of the Company authorized a program to repurchase 11,121,000 of our common shares by tender offer at purchase price of $9.00 per share. Accordingly, in August 2010, we completed the repurchase and paid a total cash consideration of $100,089. We are holding the repurchased shares as treasury shares.

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. 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. Such risks and uncertainties are not the only ones facing us. Other risks or events that are not presently known to or anticipated by us, or that we currently deem immaterial, may also adversely affect our business, operating results and financial condition.

The risk factors set forth below are organized into three categories: "Industry Risks", "Company Risks" and "Investment Risks." Within each of these categories, the individual risk factors are arranged in a sequence which roughly corresponds with our view as to their order of significance, beginning with those that we consider to be of higher significance.

A. Industry Risks

Current and future economic uncertainty, slowdowns, or recessions have reduced and may continue to reduce demand and spending for business-to-business marketing services. This has in the past adversely affected and could in the future adversely affect our revenues and operating results.

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 a number of potentially negative factors, such as the large recent decline in global trade, the fact that many economies in the world have recently been in a recession and ongoing economic uncertainties. In addition, potential sovereign debt risks could adversely affect foreign trade. Accordingly, the overall level of global demand for mainland China's and Asia's exports may not be sustainable in the foreseeable future.

As a result of the 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.

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;
- fluctuations in currency exchange rates;
- 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; and

- oil embargoes or significant increases in oil prices.

In 2011, we derived approximately 93% 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, and the global financial crisis of 2008 and 2009, our revenues and operating results were adversely affected, and our sales declined. Future reductions in trade between Greater China and the world may cause our business to be harmed and our revenues to decrease.

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 79% of our total revenues in 2011. 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.

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 inadequate product safety and quality standards, and/or fraudulent behavior by sellers, 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 environmental or labor regulations), products from mainland China may become less competitive on price versus other supply markets. 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. More recently, there have been reports of fraudulent behavior whereby sellers in mainland China have taken orders and payment and then not delivered the products. If these kinds of issues continue or worsen, there may be a strong backlash against products made in mainland China and our business and financial condition may consequently suffer.

Our industry is intensely competitive, evolving and subject to rapid change. If we are unable to compete effectively, we will lose current customers and fail to attract new customers. If that happens, our business may not be successful and our financial condition may be adversely affected.

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. 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. We may also encounter competition from companies offering software services and e-commerce transactional platforms.

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

We endeavor to monitor significant business, market, competitive, financial, economic, political, legal, regulatory and/or other relevant trends and developments in the various markets and jurisdictions in or with which we actually or may potentially conduct our business and/or operations; to evaluate the corresponding opportunities and/or risks for us, if any; and to strategize, adapt and respond as appropriate (in which case we may have to incur significant expenditures to implement our strategies). However, we may not always be successful in correctly spotting, evaluating, appreciating the extent, significance or impact of, or in implementing appropriate strategies, initiatives or other measures in response to, such trends, developments, opportunities and risks; or we may fail or be unable to do so in a timely manner or at all. If that happens, we may fail to adapt and compete effectively and to grow our business and revenues, or we may incur significant costs to address lost time and opportunity, or we may suffer other costs or adverse consequences; in which event, our business and financial condition could thereby be harmed.

We depend upon Internet search sites 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 sites, such as Google, Baidu, Bing and other Microsoft-powered search sites. 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 site. The algorithms determine the order of the listing of results in response to the user's Internet search. From time to time, search sites 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 site users to our websites.

Our websites may also become listed less prominently in unpaid search results for other reasons, such as search site technical difficulties, search site technical changes and changes we make to our websites. In addition, search sites have deemed the practices of some companies to be inconsistent with search site 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.

Magazine advertising has declined in recent years and may continue to decline, which could adversely impact our revenue.

In the past few years, global business-to-business print advertising has significantly declined which has led to a decrease in our print advertising revenue. Print advertising is generally facing many challenges and may continue to decline and not recover. The growth in alternative forms of media, such as the internet, has increased the competition for advertising dollars, which in turn could reduce the levels of expenditures for magazine advertising or suppress magazine advertising rates. Our customers may decide to use less print advertising as part of their overall marketing campaigns and the rates we charge for print advertising may decline, thereby adversely affecting our revenue.

Digital magazines may not become widely adopted or ever achieve significant revenue or profitability.

Technology, particularly digital technology used in the media industry, continues to evolve rapidly, and advances in that technology have led to alternative methods for the distribution of magazine content. Many publishers including ourselves have launched various types of digital magazines, often to complement print magazine editions. Our initiatives may not become widely adopted by buyers and other users, or advertisers, which could have a significant adverse effect on our competitive position and our businesses and results of operations.

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 laws and regulations could adversely affect our business, operating results 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, the use of “cookies” and the use of personally identifiable information;
- copyrights, trademarks and domain names; and
- marketing practices, such as telemarketing, e-mail or direct marketing or online behavioral advertising.

Increased government regulation of, or the application of existing laws to, online activities or other relevant business, operational or marketing practices, 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 share 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.

We endeavor to monitor significant relevant legal and regulatory developments that could impact our business and operations. However, we may not always be successful in correctly spotting, evaluating, appreciating the extent, significance or impact of, or in adapting and implementing appropriate measures in response to, such developments; or we may fail or be unable to do so in a timely manner or at all. If that happens, we may incur significant legal liabilities, costs in mitigating or otherwise addressing the issue, or other adverse consequences, and our business, operating results and financial condition could thereby be harmed.

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. In addition, we also use “cookies” in our websites and engage in various online behavioral advertising practices. Governments in various jurisdictions, including the United States and the European Union, 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, the use of “cookies”, and online behavioral advertising practices, has led to or may result in increased legal and governmental regulation, and/or self-regulation of these practices by the Internet advertising and direct marketing industry. 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.

Customer or user concerns regarding Internet security or fraud may deter the use of our online products and services.

Widely publicized security breaches or fraud involving the Internet or online services generally, or our failure to prevent security breaches or fraud by our customers or users, or "phishing" activities by third parties who masquerade as us, or as our customers or users, in an attempt to obtain personal data from our other customers or users, or computer malware, viruses or hacking activities occurring on or through the Internet or our systems, may harm our reputation and cause our current and potential customers and users not to use our products and services, thereby adversely affecting our revenues. We may be required to incur additional costs to protect against security breaches and fraud, or to alleviate problems caused thereby. Our business and financial success depends on our reputation and our customers' and users' confidence in the security of our products and services and our anti-fraud measures.

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

Because we operate internationally and report our operating results, revenues and profits in United States Dollars ("U.S. Dollars"), foreign exchange rate fluctuations, especially in the RMB and other Asian currencies, may have a material impact on our operating results.

The RMB has strengthened during the last few years against the U.S. Dollar. Although we bill in RMB and have expenses in RMB in mainland China, 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.

In addition, we have investments in operations and commercial properties in mainland China, the net assets of which are exposed to foreign currency translation risks. Further, we have significant amounts of deposits denominated in RMB, which are kept with commercial banks located in Hong Kong, and which are exposed to foreign currency fluctuation risks.

To the extent significant currency fluctuations occur in the RMB and other Asian currencies, our financial condition and results of our operations may be adversely affected.

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

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.

The successful operation of our business depends significantly on the quality, performance and reliability of the telecommunications and Internet infrastructure globally, and especially in mainland China and the Asia-Pacific region, where we derive most of our revenue and where the vast majority of our sales representatives are located.

We derived approximately 52% of our revenue from Internet-related services in 2011 and poor performance or failures of the telecommunications and internet infrastructure anywhere in the world could negatively impact our business.

We are likely to continue to derive the majority of our Internet-based marketplace business and revenues from mainland China and the Asia-Pacific region.

The quality, performance and reliability of some of the telecommunications and Internet infrastructure and telephone line availability in mainland China and many other countries in the Asia-Pacific region could fail and/or become unreliable.

In mainland China, almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the government authorities. In addition, the national networks are connected to the Internet through international gateways controlled by the mainland China government. These international gateways are the only channels through which a mainland China user can connect to the Internet. We cannot assure that a more sophisticated or flexible Internet infrastructure will be developed in mainland China. Our mainland China users may not have access to alternative networks in the event of disruptions, failures or other problems with mainland China's Internet infrastructure. Furthermore, the Internet infrastructure in mainland China may not support the demands associated with continued growth in Internet usage.

These issues and problems may contribute to lower than expected adoption of many of our services and may cause our growth and revenues to fall below expectations, or we may have to incur significant costs to address or mitigate them, thereby adversely affecting our profitability.

Climate change and other environment-related regulations in supply markets and overseas demand markets could increase the costs of certain groups of our supplier and/or buyer community, or otherwise harm their business or financial viability. As a result, they may reduce or cease their usage of our services, thereby adversely affecting our revenue.

In many jurisdictions, there is a growing trend of increasing concerns, and legal, regulatory, political and policy developments, in the area of climate change and other environmental issues. These may discourage, or may involve the imposition of certain prohibitions, restrictions, standards, levies and/or taxes in respect of, certain types of manufacturing processes, products and/or imports, which may in turn increase the costs of affected manufacturers, suppliers, exporters, buyers and/or importers or otherwise harm their business or financial viability. Those of our supplier and/or buyer community who are so affected may consequently reduce or cease their usage of our services, in which case our revenue would be adversely affected.

B. Company Risks

Online advertising rates in our sectors have declined over the past few years, and if we are not able to slow or reverse this trend or to substantially grow the total number of customers using our services, our operating results and financial condition could be adversely affected.

The marketing and pricing decisions of our competitors strongly influence our business and therefore affect our financial condition. For example, in mainland China, online advertising rates in our sectors have declined over the past few years. If online advertising rates continue to decline, if customers choose lower value packages, or if we are unable to make up for such declines by growing our customer base, 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, 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. In addition, customers for our core export marketing services may reduce their focus on exports and shift more of their focus and marketing on the mainland China domestic market, where our products and services are generally less developed and extensive.

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.

Generally, suppliers' advertising contracts with us for our online and print media are for 6 to 24 months in duration, while most booth contracts are for China Sourcing Fairs that will be held within the next 24 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.

There are various factors that could adversely affect our ability to operate our China Sourcing Fair and Global Sourcing Fair trade show businesses successfully and profitably.

We expect that a significant portion of our future revenues will continue to be derived from our trade show business and in 2012 we are scheduled to hold more than 60 trade shows. Our China Sourcing Fairs attract exhibitors from Greater China and the rest of Asia, and attendees from all over the world, and represent the great majority of our trade show business. We have also recently launched Global Sourcing Fairs for the mainland China domestic market.

In 2011, a majority of our exhibitions revenue was derived from our China Sourcing Fairs, which contributed substantially to our success. The first China Sourcing Fair was held in Shanghai (China) in 2003, and the first of our series of China Sourcing Fairs in Hong Kong (China) was launched in April 2006. Our China Sourcing Fairs have since been expanded to Dubai (United Arab Emirates), Mumbai (India), Johannesburg (South Africa) and Miami (the United States), and in 2012 we are scheduled to launch new China Sourcing Fairs in Sao Paulo (Brazil).

Our China Sourcing Fairs and Global Sourcing Fairs are still 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. Many of these competing trade show events and/or venues are owned and/or organized by, and/or sponsored, funded, endorsed and/or otherwise strongly supported by, governmental or statutory bodies, who may continue to further develop and/or expand such trade show events and/or venues in competition with ours or engage in other competitive actions. For example, the Hong Kong Trade Development Council ("HKTDC"), a government-subvented statutory body and the largest trade show organizer in Hong Kong, competes aggressively with our China Sourcing Fairs at the AsiaWorld-Expo exhibition venue in Hong Kong. The HKTDC is also a co-owner of the Hong Kong Convention and Exhibition Centre ("HKCEC"), and is able to secure and has secured most of the favorable exhibition venue time-slots at the HKCEC for the HKTDC's own trade shows. The HKCEC was recently expanded, and the HKTDC and the

HKCEC (as well as other exhibition organizers) have from time to time been pressing the Hong Kong government to consider supporting a further expansion ("Phase 3") of the HKCEC. There have also been some industry and political pressures for more large-scale convention and exhibition centers to be built in Hong Kong. As a result of such developments, and especially if HKCEC Phase 3 proceeds or other exhibition venues are built, our overall competitiveness may be harmed, we may not be able to attract the desired quantity and quality of exhibitors and buyers to our trade shows, and the viability of our trade show business may be jeopardized.

The long-term growth and viability of our China Sourcing Fairs in Hong Kong depend significantly on the continued or improved attractiveness of the AsiaWorld-Expo exhibition venue (at which they are held) to exhibitors and buyers. If the economic, transportation, urban, tourism and other infrastructures and developments surrounding the AsiaWorld-Expo (which is located near the Hong Kong International Airport) are not further planned, built, improved and implemented appropriately or at all, and we are unable to secure bookings at and switch to other more attractive alternative exhibition venues for our Hong Kong trade shows, the overall competiveness and viability of our trade show business may be jeopardized.

In addition, the Hong Kong government has introduced a proposed competition bill that (as currently drafted) would apply to private enterprises, but that at the same time would exempt all statutory bodies (such as the HKTDC) from the proposed competition law (unless Hong Kong's Chief Executive-in-Council specifies, through subsequent regulations, which statutory bodies are not to be exempted). If Hong Kong's proposed competition law is passed with the HKTDC being exempted, we will have to comply with the Hong Kong competition law regime while the HKTDC need not, thereby resulting in an uneven playing field that could jeopardize the competitiveness and viability of our trade show business in Hong Kong.

Also, because of the complexities, competition and uncertainties associated with the expansion of our shows into new categories and locations, we may not achieve our desired sales objectives. Furthermore, in order to implement our trade show growth strategy, our management, personnel and other resources may be strained and/or we may have to continue hiring additional personnel and incurring additional expenditures. If we are unable or fail to manage these issues and execute the operations appropriately and effectively, it would jeopardize our ability to be successful in the trade show business and adversely affect our financial condition.

In addition, for marketing and selling booths to exhibitors, we rely heavily on cooperation with various government bodies, trade associations and other relevant parties. The availability of government subsidies to exhibitors in some jurisdictions (e.g. mainland China) is also a significant factor in attracting exhibitors to our trade shows. If we fail to achieve such cooperation or if such cooperation is unsuccessful, or if government subsidies are not available or granted or are withdrawn, the success of our trade show business could be jeopardized, and our operating results and financial condition may be adversely affected.

Our China Sourcing Fairs and Global Sourcing Fairs businesses also require us to make substantial non-refundable deposits and progress payments to secure desirable venues and dates far in advance of conducting the trade show. The market for desirable dates and locations is often highly competitive and critical to the success of the show. If we cannot secure desirable dates and locations for our trade shows, their profitability and future prospects would suffer, and our financial condition and operating results would be materially and adversely affected.

Several other factors could also negatively affect our financial performance in this business, including:

- natural catastrophes, labor strikes and transportation shutdowns;
- 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;
- changing and/or adverse governmental policies and actions;

- 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;

- 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;
- a slowdown in product demand from outlet markets; and
- sudden closure of event venue site due to unforeseen circumstances.

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.

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

Our growth and success depend significantly on the continued services of our executive officers and other key members of our management. The loss of their services and/or that of other key executives, including our executive chairman, chief executive officer, chief financial officer, chief operating officer and chief information officer, or significant changes in our executive management team, whether as a result of resignation, service termination, retirement, succession planning or otherwise, may be disruptive to our business and operations and/or could jeopardize the success and viability of our business and financial condition. 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. If this were to occur, our financial condition could be adversely affected.

We rely heavily on independent sales representative companies for the sales and marketing of our products and services. If we lose the services of these sales representative companies or their employees, or if they perform poorly, or if we fail to effectively manage our relationship with them, our business and revenues could be harmed.

We have agreements with various independent sales representative companies, whom we rely heavily upon for the sales and marketing of our products and services. Six main sales representative companies in mainland China are responsible for approximately 76% of our total revenues for the year ended December 31, 2011. 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, or properly trained, integrated, motivated, retained and managed, by these sales representative companies, or if they or their employees perform poorly or fraudulently, or otherwise fail to perform their roles and responsibilities adequately, appropriately or as required, or if our relationships with these sales representative companies fail or deteriorate or we are otherwise unable or unsuccessful in effectively managing our relationship with them, our business and revenues 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 plans to expand into the mainland China domestic business-to-business market may fail or underperform.

We now have more than a dozen individual media properties serving the mainland China domestic market and we intend to grow this, in particular by adding online services and trade shows. We are generally less competitive in this market than the export market and may not be successful. Competition is intense and price points tend to be very low, which may adversely affect the success of our plans to expand into the mainland China domestic business-to-business market.

Our China Global Sources Online website, which we 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 English language export marketing website, Global Sources Online. We have generated very little revenue since our launch and may never 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 may not be successful in identifying, financing, consummating and/or effectively integrating acquisitions, joint ventures or strategic alliances, in order to expand our business. In such event, our operating results and financial condition could be adversely affected.

We are regularly evaluating potential strategic acquisitions, joint ventures, alliances or other investments, or other opportunities for growth. We believe that these are a key component of our business strategy. However, we may not be successful in identifying such opportunities, or we may not be able to negotiate satisfactory terms or consummate them successfully, or we may not have sufficient access to capital to enter into or to take advantage of them. 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 such opportunities, 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, or to manage our relationships with our joint venture or alliance partners successfully. Alternatively, even if we are successful in doing so, we may not achieve expected results, or we may not realize other expected benefits. In such circumstances, our financial condition could be adversely affected.

In order to finance such opportunities, 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 shareholders, reduce the market price of our common shares, or both. Any debt financing is likely to have financial and other covenants based on our performance, results or other conditions, and there could be an adverse impact on us if we do not observe, maintain, achieve or comply with applicable financial covenants, such as minimum performance results, or other conditions. In addition, the related increases in expenses could adversely affect our operating results 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 could be subject to additional income tax liabilities.

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in evaluating our worldwide provision for income taxes. During the ordinary course of business, there are many transactions for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates; by changes in the valuation of our deferred tax assets and liabilities; or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. We are subject to potential or actual tax audits in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax estimates are reasonable, the final determination of such tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of a tax audit or related litigation could have a material adverse effect on our operating results or cash flows.

The failure of or security breaches to our computer systems, network and communications hardware and software could materially and adversely affect our business, operating results 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, therefore adversely affecting our business, operating results and financial condition.

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 computer malware, viruses, 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, operating results and financial condition.

We may be subject to legal liability for publishing or distributing advertisements or other content in our trade publications or websites, or at our trade shows.

We may be subject to legal claims or liabilities relating to the advertising or other content on Global Sources Online or our other websites, or the downloading and distribution of such content, as well as legal claims or liabilities arising out of the products or companies featured in our trade publications and at our trade shows. Claims or liabilities could involve matters such as: libel and defamation; negligent misstatements; false or misleading advertisements; patent, trademark, copyright, design or other intellectual property infringement; fraud; invasion of privacy; direct or indirect, or primary or secondary, liability for illegal, prohibited, restricted, controlled, unlicensed, fake, defective, poor quality, hazardous, contaminated or injurious products or substances advertised on our websites or in our publications or exhibited at our trade shows; or other legal theories, for example, based on aiding and abetting our advertisers or exhibitors in our role as a publisher, website operator or trade show organizer (for example, by allegedly facilitating or providing the means for any unlawful or infringing activities conducted through the medium of our websites or publications or at our trade shows), or 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 in our publications, on our website or at our trade shows. 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, operating results and financial condition. 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 supplier verification services that we offer to buyers.

In addition to supplier-provided information, we also offer verification services (by ourselves and/or through third parties whom we engage) to buyers in respect of certain data from certain of our supplier customers. These verification services include: verification of some of a supplier's company and business details; supplier credit profiles and credit reports; and supplier capability assessment. 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, operating results and financial condition. 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 business, operating results, financial condition and prospects 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 trademarks. 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, operating results and financial condition.

We may not have, in all cases, conducted formal or comprehensive investigations or evaluations to confirm that our content and trademarks 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.

The commercial real estate properties which we own in mainland China constitute a substantial portion of our assets, and there are legal ownership risks associated with these properties, 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 Chinese 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 commercial real estate properties which we own in mainland China and which constitute a substantial portion of our assets.

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; or we may not be able to fully rent out any excess unutilized space in our investment properties.

We own commercial properties in Shenzhen's new commercial business district, which are 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). In addition, we own commercial property in Hong Kong. We also acquired commercial property in Shanghai, in August 2011.

The total carrying amount of our Shenzhen, Shanghai and Hong Kong properties was approximately $124.5 million, and their total market value was approximately $209.8 million as of December 31, 2011. The purchase price of our Shanghai property which we acquired in August 2011 was approximately $53.3 million. 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.

If and to the extent we are unable to fully rent out and generate rental income from any excess unutilized space in our investment properties, our operating results may be adversely affected thereby.

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.

A significant portion of our cash and cash equivalents are held as cash deposits with various commercial banks. A majority of such balances are held in banks located outside mainland China. Although we have not recognized any losses to date on our cash and cash equivalents, 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. This could materially adversely affect the value or liquidity of our cash and cash equivalents and result in an impairment, which could materially adversely affect our financial condition and operating results.

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.

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.

There may be various control, enforceability, legal and/or regulatory risks associated with the holding and operating structure for our EDN-China business.

In April 2011, our subsidiary, eMedia Asia Limited (“eMedia Asia”), acquired the print and online businesses of EDN-Asia, EDN-China and certain other associated titles from the United Business Media group.

The EDN-China business involves a mainland China domestic print publication and a mainland China domestic online website, and is operated through a mainland China company, Beijing EDN Advertising Production Co., Ltd. (“Beijing EDN”).

As the laws and/or regulations of the People’s Republic of China (“PRC”) prohibit and/or restrict foreign investments in mainland China domestic publishing and internet information businesses, eMedia Asia does not have any direct equity ownership interest in Beijing EDN (which has an internet content provider license that is required for the operation of a mainland China domestic online website). Instead, the holding structure of the EDN-China business depends upon nominee and other related contractual arrangements involving mainland China individuals who have agreed to act as eMedia Asia’s nominee shareholders of Beijing EDN (“nominees”). Beijing EDN also relies on a co-operation arrangement with a mainland China publisher which has a publishing permit or “kanhao” (“kanhao publisher”), in connection with the mainland China domestic publishing and circulation activities for the EDN-China print publication.

These arrangements may not be very effective in providing direct operational control or direct ownership of the EDN-China business. Moreover, if our relationships with the nominees and/or the kanhao publisher were to break down, they may act contrary to our interests, the arrangements concerned may be difficult to legally enforce, and the EDN-China operations and business could be disrupted or otherwise adversely affected.

There are also uncertainties regarding the interpretation and application of PRC laws, regulations and policies with respect to these types of arrangements. Accordingly, there is a risk that such arrangements may be deemed by the relevant PRC authorities to be contrary to PRC laws, regulations or policies, the consequences of which could include: fines and/or other monetary penalties; revocation of applicable PRC permits or licenses and/or other administrative sanctions; and/or the various arrangements concerned being held to be unenforceable.

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.

We may be required to record an impairment charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required to test goodwill for impairment at least annually and to review our amortizable intangible assets for impairment whenever events or changes in circumstance indicate that the carrying amounts may not be recoverable. The carrying amounts of goodwill and intangible assets as of December 31, 2011 were approximately \$3.9 million and \$8.1 million respectively. During the year ended December 31, 2011, we recorded an impairment charge of \$0.7 on goodwill relating to one of our investments. Significant adverse changes in the business climate, or economic, competitive and other factors, may affect the value of goodwill and identifiable intangible assets. If any of these factors impair the value of these assets, accounting rules would require that we reduce their carrying value and recognize an impairment charge, which would reduce our reported assets and earnings in the year in which the impairment charge is recognized.

We may be required to record an impairment charge on our accounts receivables, if we are unable to collect the outstanding balances from our customers.

We generally collect our fees in advance from customers in markets with higher risk. We have a large number of customers and no individual customer represents more than 10% of our accounts receivables. We estimate the collectability of our accounts receivables based on our analysis of the accounts receivables, historical bad debts, customer creditworthiness and current economic trends. We continuously monitor collections from our customers and maintain adequate impairment allowance for doubtful accounts. However, while credit losses have historically been within our expectations and the allowances we established, if the bad debts significantly exceed our impairment allowance, our operating results and liquidity could be adversely affected.

C. Investment Risks

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

We typically experience seasonal quarter-to-quarter fluctuations in our revenue. Currently, most of our largest trade shows are expected to be held in the second quarter and fourth quarter 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 2011, approximately 30% of our revenue was generated during the second quarter and approximately 33% during the fourth quarter. The first quarter accounted for approximately 16% of our revenue in 2011 and the third quarter accounted for approximately 21% of our revenue in 2011. 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. As a result of seasonal fluctuations in our quarterly operating results, we may fail to meet analyst, investor and shareholder expectations.

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; reports, articles, commentaries, blogs or online postings about us by analysts, short sellers, our competitors, our customers, our users and/or others; announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments; or changes in laws or regulations 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.

As of February 29, 2012, we had approximately 925 registered shareholders, and a total of 33,979,600 outstanding common shares, out of which approximately 13,713,470 outstanding common shares were tradable on the NASDAQ Global Market (“NASDAQ”).

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.

Sales of our common shares by our major shareholders could depress the price of the common shares.

Sales of common shares by our major shareholders could adversely affect the prevailing market price of the common shares. As of February 29, 2012, we had 33,979,600 common shares outstanding, out of which at least 15,468,041 common shares outstanding are beneficially owned by people who may be deemed “affiliates”, as defined by Rule 405 of the Act. Of these 15,468,041 shares, 14,865,126 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 the sales of such restricted shares or the availability of shares for 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.

NASDAQ has broad authority to halt the trading of our shares on NASDAQ, and there can be no assurances that this would not occur.

As a company whose shares are listed on NASDAQ, we are subject to its listing rules which provide, among other things, NASDAQ with broad authority to halt the trading of our shares on NASDAQ. On April 3, 2012 at 10:13:42 a.m. Eastern Time, NASDAQ halted trading in our shares on NASDAQ for an “additional information request” which was subsequently provided. The trading of our shares on NASDAQ resumed on April 4, 2012 at 7:15 a.m. Eastern Time. There can be no assurances that trading in our shares on NASDAQ will not be halted in the future. Any halting of trading in our shares could damage our reputation, adversely affect our share price and impair our ability to raise additional capital through an offering of our equity securities in the future.

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

As of February 29, 2012, Merle A. Hinrichs beneficially owned approximately 43.22% of our outstanding common shares. He is also our Executive Chairman. 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. There may be instances in which the interest of our major shareholder may conflict or be perceived as being in conflict with the interest of a holder of our securities or the interest of the company.

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 final and conclusive foreign judgments under which a sum of money is payable (not being a sum of money payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Protection of Trading Interests Act 1981 of Bermuda) would be enforced by the Bermuda courts as a debt against our company, subject to certain conditions and exceptions.

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, U.S. domestic reporting companies.

We are a foreign private issuer and, as a result, we are not subject to some of the requirements imposed upon U.S. domestic issuers by the SEC. For example, we are not required to issue quarterly reports or file proxy statements to the SEC, and we and our directors and executive officers are not subject to certain disclosure obligations that would otherwise be required from U.S. domestic issuers.

Hence, 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, U.S. domestic reporting companies.

U.S. persons that hold our common shares could be subject to material adverse U.S. federal income tax consequences if we were considered to be a PFIC for any taxable year.

A non-U.S. corporation generally will be a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying the relevant look-through rules with respect to the income and assets of its subsidiaries, either (i) 75% or more of its gross income is “passive income” (generally including (without limitation) dividends, interest, annuities and certain royalties and rents not derived in the active conduct of a business) or (ii) the average value of its assets that produce passive income or are held for the production of passive income is at least 50% of the total value of its assets.

Although the application of the PFIC rules is unclear, there is a risk that we could be treated as having unexpectedly become a PFIC in a prior year, and there can be no assurance that we will not be considered a PFIC for the current year or any subsequent year. A U.S. person that holds our common shares should consult its own tax advisor regarding possible adverse tax consequences to such person if we are considered to be a PFIC.

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 any interested shareholder that have not been approved by at least two-thirds of the holders of our voting shares (other than shares held by that interested shareholder or any affiliate or associate of such interested shareholder), voting together as a single class, or by a simple majority if the business combination is approved 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, among others, (i) any mergers, (ii) any asset sales and other material transactions resulting in a benefit to the interested shareholder or any of its affiliates or associates or (iii) the adoption of a plan for our liquidation or dissolution; an "affiliate" or an "associate" have respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended; a "continuing director" is a member of our board of directors that is not an affiliate or associate or representative 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, or 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.

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 over financial reporting, 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.

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.

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, 2011, 2010 and 2009 amounted to $56.7 million $2.5 million and $1.4 million, respectively. For 2011, such expenditures were incurred mainly for purchase of office premises in mainland China, leasehold improvements, office furniture, computers and software. For 2010, such expenditure was incurred mainly on computers, software, leasehold improvements and office furniture. For 2009, such expenditure was incurred mainly on computers, software, leasehold improvements and office furniture. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed during the years ended December 31, 2011, 2010 and 2009 amounted to $0.029 million, $0.002 million and $0.06 million respectively.

Our primary operating offices are located in Shenzhen, China; Shanghai, 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 40 years we have been in the same primary business of helping buyers worldwide find products and suppliers in Asia.

Buyers rely on our media to stay current with available purchasing opportunities. Suppliers use our media to find new buyers and markets for their products. We believe we offer the most extensive range of media and export marketing services in the industries we serve. Suppliers using our 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 1,181,000 active members in more than 200 countries and territories as of December 31, 2011and there are more than 250,000 suppliers listed on Global Sources Online.

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,		
	2009	2010	2011
	(In U.S. Dollars Thousands)		
Revenues			
Online and other media services	$113,775	$122,203	$141,475
Exhibitions	55,147	69,450	77,973
Miscellaneous	3,985	4,996	5,617
	$172,907	$196,649	$225,065

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

	Year ended December 31,		
	2009	2010	2011
	(In U.S. Dollars Thousands)		
Revenues			
China	$123,878	$148,418	$177,563
Rest of Asia	41,919	41,228	40,011
United States	5,978	5,947	6,455
Europe	286	382	695
Others	846	674	341
	$172,907	$196,649	$225,065

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at approximately 79% of total revenue during 2011. Our revenue is derived from two primary sources:

Online and other media services. This consists of the 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 provide, banner advertising service, and publish digital magazines.

- Other Media Services - We publish trade magazines, which consist primarily of advertisements from suppliers and our independent editorial reports and product surveys. We also derive a small amount of revenue from buyers that subscribe to our trade publications and from marketing services provided to suppliers.

Exhibitions - Trade Shows and Seminars – Our primary revenue stream is selling booths to suppliers. Our exhibitions offer international and domestic buyers direct access to manufacturers based in China and other Asian countries.

Industry Background

Global Trade and the Role of Greater China

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

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.

For media companies doing business in Asia, the fragmentation 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, by the branding or competitive differentiation achieved, 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, face-to-face interaction is viewed as vital by buyers and 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 enables suppliers to do high-impact, display advertising that can strongly position their company and their products. Such advertising also contributes greatly to making buyers aware that a company is a potential supplier, and if the buyer is in an active sourcing mode, 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 and more frequent 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 facilitates selling to and within 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 offer the broadest and most integrated multi-channel offering 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 and primary source of online revenue, 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 of 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 250,000 suppliers. Suppliers are categorized as verified or unverified. 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 our China Sourcing Fairs which are held in Hong Kong each spring and fall. These shows bring buyers from around the world to meet face-to-face with suppliers. In recent years, we have added various smaller versions of these shows in locations including Dubai (United Arab Emirates), Mumbai (India), Miami (the United States) and Johannesburg (South Africa). For 2012, we have scheduled the launch of China Sourcing Fairs in Sao

Paulo, Brazil.

Trade Publications

We publish 18 industry-specific Global Sources trade magazines which are circulated to buyers worldwide via our website, direct mail, and at trade shows. Our trade magazines come in print and digital formats and contain paid advertisements from suppliers, as well as our independent editorial features, which include market reports, product galleries and surveys. Print copies are available with paid subscription, and we provide magazines free-of-charge to qualified buyers by mailing and at our trade shows. Digital copies can be downloaded from our website and direct mailings for free, and/or sent to buyers each month.

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.

Sourcing Reports

We currently have more than 100 different Sourcing Reports for sale. Each Sourcing Report provides detailed, product-specific information on suppliers and supply market conditions throughout Greater China and Asia that is gathered through face-to-face, phone and email interviews with senior management at factories. Revenue is derived from sales to buyers.

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 16 online and 6 print media, the International IC show, the China International Optoelectronics Expo and several other conferences and events.

Media for Buyers in China

In 2007 we launched China Global Sources Online and trade shows, which are now known as Global Sourcing Fairs.

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

Our primary target market is comprised of professional medium and large-sized buyers and suppliers. Moreover, our focus is on verified suppliers and verified buyers. Our business strategy 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 growth strategy is built around the following four key foundations: further penetration of the market for our export promotion media; new product and market development; expansion into China's domestic B2B market; and acquisitions, joint-ventures and alliances.

- Market penetration. Our existing markets offer significant opportunities for further growth. Our objective is to grow our total number of customers and grow the overall level of suppliers' usage of one or more of the media within our unique, multi-channel solution. We anticipate continued strength from our flagship site Global Sources Online – from our China Sourcing Fairs – and geographically from China.

- New product and market development. Our plans include increasingly specialized online marketplaces, magazines and trade shows, entries into new geographies as well as entirely new media formats. Some of these initiatives are to augment our core export offering, while others are targeted at China's domestic B2B market. For example, we are launching new China Sourcing Fairs in Brazil in 2012. Regarding new media formats we continue to enhance our digital magazines and the Online Sourcing Fairs we launched during 2011.

- Expansion in China's domestic B2B market. We have more than a dozen individual media properties serving this market including digital and print magazines, online sites and trade shows.

- Acquisitions, joint ventures and/or alliances. We intend to support our strategy by looking for acquisitions and/or alliances that will enhance 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. In 2009, our joint venture subsidiary, eMedia Asia Limited, acquired the China International Optoelectronic Expo, and in 2011, eMedia acquired the online media and magazines of EDN China and EDN Asia.

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 & Industrial Supplies
Electronics	Security Products
Fashion Accessories	Sports & Leisure
Garments & Textiles	Telecom Products

Trade Publications

We currently publish the following industry-specific trade magazines in various frequencies ranging from monthly to once a year:

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	Global Sources Medical & Health Products
Global Sources Machinery and Industrial Supplies	Global Sources Solar & Energy Saving Products
Global Sources India Products	Global Sources Korea Products

Trade Shows & Exhibitions currently scheduled for 2012. (Note: CSF represents China Sourcing Fair; ISF represents India Sourcing Fair; and KSF represents Korea Sourcing Fair, each indicating the country of origin of most of the exhibitors.

Location	Hong Kong		Dubai	Miami	Sao Paulo	Mumbai	Johannesburg
Show Dates	Apr 12 - 15, 20-23, 27-30	Oct 12-15, 20-23, 27-30	May 29-31	Jul 10 - 12	Aug 14 - 16	Sept 20-22	Nov 28-30
CSF: Electronics & Components							
CSF: Electronics							
CSF: Security Products							
CSF: Solar & Energy Savings Products							
CSF: Medical & Health Products							
CSF: Gifts & Premiums							
CSF: Home Products							
CSF: Baby & Children's Products							
CSF: Christmas & Seasonal Products							
CSF: Fashion Accessories							
CSF: Underwear & Swimwear							
CSF: Garments & Textiles							
CSF: Hardware & Building Materials							
CSF: Bathroom Products							
ISF: Home Products							
ISF: Garments & Accessories							
India Sourcing Fair							
KSF: Gifts & Premiums							
KSF: Electronics & Components							

Total (by show period)	15	14	6	8	4	4	8
Total (by location)	29		6	8	4	4	8
Total Shows:				59			

30

Media for Buyers in China

Online Services

China Global Sources Online, (www.globalsources.com.cn) is designed to facilitate China domestic B2B trade. It currently focuses on the following vertical marketplaces:

Computer Products	Security Products
Electronic Components	Telecom Products
Electronics	Solar Energy Products
Home Appliances	

Trade Shows and Exhibitions for buyers in China

Trade Shows / Exhibitions	Description, Scheduled Date and Location
Global Sourcing Fair: Electronics & Components	Highly targeted exhibitions, offering local China buyers, international buyers and their purchasing offices in China a wide selection of quality products from Greater China and other Asian suppliers.
Global Sourcing Fair: Gifts & Home Products	June 26-28, 2012 in Shanghai & September 6-8, 2012 in Shenzhen
Global Sourcing Fair: Fashion Accessories	December 5-7, 2012 in Shanghai
Media for Asian Engineers and Executives	December 5-7, 2012 in Shanghai

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 engineering managers and design engineers in China, Taiwan, South Korea, India and countries in the Association of Southeast Asian Nations (“ASEAN”); websites in traditional and simplified Chinese, English and Korean.
Electronic Design – China Online	Provides China’s design and development engineers and engineering managers with access to detailed solutions, methodologies and white papers.

EDN – Asia Online Network	Provides in-depth technical content including technology articles, product news and special reports to design engineers and engineering managers in China, Taiwan, South Korea, India and ASEAN countries; websites in traditional and simplified Chinese, Korean and English.

31

Website	Description
Electronics Supply & Manufacturing China Online	– Provides managers in China's electronics industry daily news updates, new product rollouts, new manufacturing strategies, supplier reviews and component catalogs.
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.

Trade Shows

Trade Shows	Description
International IC-China Conference & Exhibition (IIC-China)	China’s largest system design event showcasing new IC technologies and the latest application methodology. 2011 event in Shenzhen, China’s key technology hub, attracted 20.54% more visitors compared with the previous year. 2012 event was held on February 23-25 in Shenzhen, featuring conferences on Smartphone Design, Tablet PC Design, Green Power, Internet of Things and Foundry.
China International Optoelectronic Exposition (“CIOE”)	China's largest optoelectronics event established in 1999 and held annually in Shenzhen Covers all optoelectronics segments including laser and infrared applications, precision optics, optical communications and LEDs. 2011 event hosted more than 2,700 exhibitors over a total exhibition area of 90,000 sqm. 14th CIOE (CIOE 2012) will be held at Shenzhen Convention and Exhibition Center, September 6 to 9, 2012.
EDN-Asia seminars	A series of one-day seminars held in Singapore, Malaysia, Taiwan and China. Topics covered include Embedded Systems Design, Power, Test & Measurement, Wireless & Communication, Industrial Control and Automotive Electronics

Magazines

Magazine	Description
EE Times - Asia	Editions published monthly in simplified and traditional Chinese; provides engineering managers and design engineers in China and with innovative design ideas and in-depth technology analysis.

Magazine	Description
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.
EDN - Asia	Editions published monthly in simplified and traditional Chinese; provides engineers in China and Taiwan with in-depth technical content including technology articles, product news and special reports.
Electronics Supply & Manufacturing - China	Published monthly in simplified Chinese; provides corporate, engineering and procurement management in China with strategic business and technology information.

Customers

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

Suppliers

During 2011, 25,541 suppliers paid us for marketing or advertising services compared to 19,055 during 2009. Approximately 87% of these suppliers were located in mainland China. No individual supplier customer represented more than 1% of our revenue during 2011.

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 1,181,000 active members in more than 200 countries and territories. This figure is based on procedures to ensure that only buyers who have received a Global Sources digital magazine or print magazine; or attended a China or Global Sourcing Fair tradeshow organized by Global Sources; or who have made an inquiry through the Global Sources Online website (www.globalsources.com) within the 12-month period ended December 31, 2011; or registered and double opted-in to receive product alert e-mail updates from Global Sources Online as of December 31, 2011 are extracted from the databases.

We have developed our services primarily for retailers, distributors and manufacturers who import in volume for resale. Although we serve a wide range of buyers, we put extra emphasis on serving senior executives with large import buying power. We believe a significant portion of our buyer community are owners, partners, presidents, vice presidents, general managers or directors of their respective companies.

Sales and Marketing

Our team member sales organization consists of approximately 2,400 independent representatives in approximately 60 cities worldwide, with more than 40 of these locations in Greater China. We have a staff of 78 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. Revenue for trade shows is quite seasonal as it is recognized in the month in which each show is held. The largest representative sales offices are located in Beijing, Guangzhou, Shanghai, Shenzhen, Hong Kong and Taipei. Our six sales representative organizations in China accounted for approximately 76% of our total revenue in 2011.

Our marketing strategy leverages our database of approximately 250,000 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 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

eMedia Asia Limited (“eMedia”) is a subsidiary of which we own 60.1% and control, and CMP Media (now known as TechInsights), through UBM Asia B.V., a member of the United Business Media group, owns 39.9%. We entered into the joint venture in September 2000, to provide new technology content, media and online services for the Asian electronics market, focusing on new opportunities in the Greater China market.

In August 2005, 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. The 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.

In December 2009, eMedia acquired from the United Business Media group, for a net cash consideration of approximately US$5 million, the entire issued share capital of eMedia South China Limited (previously known as “UBM South China Limited”), a company incorporated in the Hong Kong Special Administrative Region, which holds a 70% equity interest in Shenzhen Herong GS Exhibition Co., Ltd. (previously known as “Shenzhen Herong UBM Exhibition Co., Ltd.”), a company incorporated in mainland China. Shenzhen Herong GS Exhibition Co., Ltd. organizes and operates the China International Optoelectronic Expo (“CIOE”) in mainland China. With this acquisition, eMedia’s portfolio of media products for the Chinese electronic engineering community further complements our own multi-channel media network for professionals in China’s electronic industry.

In April 2011, eMedia acquired EDN Asia Advertising Pte. Ltd. (previously known as “Canon Communications Asia Pte. Ltd.”) and Beijing EDN Advertising Production Co., Ltd. (previously known as “Beijing Reed Advertising Services

Co., Ltd.") – which together own EDN-China, EDN-Asia and certain associated titles – from Canon Communications LLC, a subsidiary of United Business Media Limited (LSE: UBM.L), for a cash consideration of approximately US$4 million.

Haoji Group Limited ("Haoji") is a company incorporated in the British Virgin Islands, which holds the entire issued share capital of Space Exhibition Consultants Limited, a company incorporated in the Hong Kong Special Administrative Region, which in turn holds all of the equity interests in Huanyu Shishang Exhibition (Shenzhen) Co., Ltd. ("Huanyu"). Huanyu operates the China (Shenzhen) International Brand Clothing & Accessories Fair in mainland China, and owns the businesses and assets associated therewith. In March 2012, we acquired 80% of the entire issued share capital of Haoji, from an individual who was the sole shareholder of Haoji, for a total cash consideration of up to approximately US$17.3 million, comprising an initial cash amount of approximately US$13 million that was paid by us on completion of the transaction, and another additional cash amount of up to approximately US$4.3 million that is payable by us in 2013, depending upon certain performance-related conditions being fulfilled.

Technology and Systems

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

We have invested a total of $24.4 million for years 2010 and 2011 combined in information and technology costs.

As of December 31, 2011, we had 152 team members engaged in technology development, maintenance, software customization and data center operations.

As of December 31, 2011, 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 200Mbps Internet link connection directly to AT&T's IX backbone, while AT&T's IX maintains in excess of 18 Gbps 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 and disaster recovery purpose. We deployed server virtualization technologies for cost effectiveness and meeting our dynamic business growth and demand. 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, 2011 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 and/or pending applications for either or both of our “Global Sources” and “China Sourcing Fairs” trademarks in various countries or regions, including Australia, Brazil, the European Union, Hong Kong, India, Indonesia, Israel, Mexico, mainland China, the Philippines, Singapore, South Africa, South Korea, Switzerland, Taiwan, Thailand, Turkey, 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, operating results, financial condition and prospects may be harmed.

Government Regulation

Our services are or may be subject to government regulations in various jurisdictions where we or our operations, businesses or activities are located or conducted, where our clients or users are located, or where our services are provided, supplied, transmitted, accessed, used or received. Some of these regulations are described below.

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 have been or 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, the use of “cookies”, online behavioral advertising practices, 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, operating results, financial condition and prospects.

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 received the title certificates. Our usage right in respect of this property is for a period of 50 years, expiring on January 7, 2052, after which the land could revert to the Chinese government.

In 2007, we purchased 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.

In 2008, we purchased 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.

In 2008, we purchased 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 $12.3 million.

In August 2011, we purchased approximately 6,668 square meters of office space in Shanghai, China, for a total purchase price of approximately $52.0 million, in order to support our continued business expansion in China.

In addition, we generally lease our office space under cancellable and non-cancellable 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 113,286 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 expenses for the year ended December 31, 2011 were approximately $2.29 million.

We lease part of our properties to third parties to generate rental income. During the year ended December 31, 2011, we recorded such rental income of $4.5 million.

Legal Proceedings

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

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Overview

We are a leading B2B media company and a primary facilitator of two-way trade with Greater China. Our core business is facilitating trade from Greater China to the world, using a wide range of English-language media. Our 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 40 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 the 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 and the digital magazine we launched in July 2010. In April 2011, we launched online sourcing fairs in conjunction with our China Sourcing Fairs exhibitions and the revenue generation from our online sourcing fairs commenced in the third quarter of 2011.

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 in China and elsewhere in Asia. The first China Sourcing Fair was held in 2003. Subsequently, we have held several China Sourcing Fairs events in the second and fourth quarters of 2004 to 2011. In 2007 we launched China Sourcing Fairs events in Dubai and Shanghai and in 2008 we launched China Sourcing Fairs events in India. In

September 2010 and 2011, we held the China International Optoelectronic Expo in Shenzhen, China. We also launched China Sourcing Fairs events in Singapore and Johannesburg, South Africa in the fourth quarter of 2010. We launched new China Sourcing Fairs events in Miami, USA in July 2011. We are also launching new China Sourcing Fairs events in Sao Paulo, Brazil in August 2012. We established a new division to develop domestic shows in China, under our new Global Sourcing Fairs brand and we held our Global Sourcing Fairs events in Shanghai, China in January 2011, in Shenzhen, China in September 2011 and Shanghai, China in December 2011. We held our International IC China Conferences and Exhibitions in Shenzhen, China in February 2011.

We derive revenue primarily from rental of exhibit space and also from advertising and sponsorship fees in show guides and other locations in and around our event venues. We recognize exhibitor services revenue at the completion of the related events. Our major China Sourcing Fairs in Hong Kong are scheduled to be held in the second quarter and fourth quarter of each financial year. As a result, second and fourth quarter revenues are 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:

(a) Income Taxes

We have exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group wide provision for income taxes and recognition of deferred tax assets. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for expected tax issues (Note 9 to the consolidated financial statements included in Item 8) based on reasonable estimates of whether additional taxes will be due and recognize deferred tax assets (Note 15 to the consolidated financial statements included in Item 8) on carried forward tax losses to the extent there are sufficient estimated future taxable profits and /or taxable temporary differences against which the tax loss can be utilized. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions recognized in the period in which such determination is made.

(b) Goodwill

We test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8 to the consolidated financial statements included in Item 8. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13 to the consolidated financial statements included in Item 8).

Online and other media business, EDN:

During the year ended December 31, 2011, we recorded a goodwill impairment charge of $0.7 million relating to an online and other media services business that was acquired during the year. Our profit after tax will reduce by $0.4 million if the post-tax gross profit margin applied to the discounted cash flows for the acquired business at December 31, 2011 is decreased by 1%, with all other variables including tax rate being held constant. Our profit after tax will reduce by $0.2 million if the post-tax discount rate applied to the discounted cash flows for the acquired business at December 31, 2011 is raised by 1%, with all other variables including tax rate being held constant.

Exhibition, Shenzhen, PRC:

There was no impairment to goodwill during the year ended December 31, 2011. There will be no impact to our results after tax if the post-tax discount rate applied to the discounted cash flows for the acquired subsidiary at December 31, 2011 is raised by 1% with all other variables including tax rate being held constant.

Results of Operations

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

	Year ended December 31,		
	2009	2010	2011
Revenue			
Online and other media services	66 %	62 %	63 %
Exhibitions	32	35	35
Miscellaneous	2	3	2
	100	100	100
Operating Expenses:			
Sales	37	37	36
Event production	11	11	11
Community and content	20	16	15
General and administrative	17	17	18
Information and technology	7	6	6
Total Operating Expenses	92 %	87 %	86 %
Profit from Operations	8 %	13 %	14 %
Net profit attributable to the Company's shareholders	8 %	13 %	13 %
Diluted net profit per share attributable to the Company's shareholders	$0.31	$0.61	$0.83
Shares used in diluted net profit per share calculations	45,751,431	41,693,616	35,385,218

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

	Year ended December 31,		
	2009	2010	2011
China	72 %	75 %	79 %
Rest of Asia	24	21	18
USA	3	3	3
Europe	0	0	0
Other	1	1	0
	100 %	100 %	100 %

Fiscal Year 2011 Compared to Fiscal Year 2010

Revenue

Our total revenue grew by 14% to $225.1 million during the year ended December 31, 2011 from $196.6 million during the year ended December 31, 2010. Our online and other media services revenue grew by $19.3 million or 16% to $141.5 million for the year ended December 31, 2011, as compared with $122.2 million for the year ended December 31, 2010 primarily due to a 22% growth in our China market and a 11% growth in our US market, off-set by declines in our other markets. The growth in our online and other media services revenue resulted mainly from a 23% growth in our revenue from hosting online websites and digital magazines for our customers off-set partially by a 10% decline in print advertising. China represented 77% of online and other media services revenue for the year ended December 31, 2011 compared to 73% for the year ended December 31, 2010. Our Exhibitions revenue grew from $69.5 million for the year ended December 31, 2010 to $78.0 million for the year ended December 31, 2011, a growth of 12%, due mainly to increase in our booth yield for our China Sourcing Fairs events in Hong Kong and Johannesburg, South Africa, growth in our China International Optoelectronic Expo, our new China Sourcing Fairs events in Miami, USA that we launched in July 2011 and re-scheduling of our December 2010 Global Sourcing Fairs events in Shanghai to first quarter of 2011, off-set partially by declines in revenue from our International IC China Conferences and Exhibitions in China held in the first quarter of 2011 and our Dubai events in June 2011 and cancellation of our International IC China Conferences and Exhibitions fall 2011 events. China represented 83% of Exhibitions revenue for the year ended December 31, 2011 compared to 80% for the year ended December 31, 2010. We continue to look for opportunities to expand the number of our exhibition events and locations for our events.

We continue to focus on the China market. We expanded our market share in China in both the online and other media services and the exhibition services through a series of marketing efforts including the launch of our 40th anniversary special package in November 2010, launching new exhibition events and achieving higher booth yields in year 2011 for our exhibition events. China's high GDP growth rate in 2011 also helped our marketing efforts. Our total revenue from China grew by 20% during the year ended December 31, 2011 relative to the year ended December 31, 2010. Our total company revenue grew by 14% during the same period. This indicates our revenue growth from China market was more robust compared to our revenue growth from other markets.

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. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated. 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.

Sales costs increased from $71.9 million during the year ended December 31, 2010 to $81.4 million during the year ended December 31, 2011, an increase of 13%. This was mainly due to an increase in sales commissions in turn due to increases in revenue, sales marketing expenses and business tax expenses as a result of change in applicable business tax rates in China.

Event Production

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

Event production costs increased from $21.9 million during the year ended December 31, 2010 to $24.6 million during the year ended December 31, 2011. This was mainly due to more exhibition events being held in 2011 compared to 2010 as well as an increase in number of booths sold for our China International Optoelectronic Expo, China Sourcing Fairs in Hong Kong and South Africa, offset by a reduction from the cancellation of our International IC China Conferences and Exhibitions Fall 2011 events and China Sourcing Fairs events in Singapore.

Community and Content

Community and content costs consist of the costs incurred for servicing our buyer community, marketing our products and services to the global buyer community and our content management services costs for our print publications business and online services business. Community and content costs also include costs relating to our trade magazine publishing business and marketing inserts business, specifically printing, paper, bulk circulation and 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 as incurred.

Community and content costs increased from $31.9 million during the year ended December 31, 2010 to $34.1 million during the year ended December 31, 2011, an increase of 7%. This increase was due mainly to community and content costs of our newly acquired EDN Asia and EDN China businesses and increases in our content management services costs, promotion costs of our exhibition events, fees paid to third party service providers, off-set partially by a 12% decline in bulk circulation costs and other declines in paper cost. We also reduced our participation in third party trade shows in efforts to reduce our costs.

General and Administrative

General and administrative costs consist mainly of corporate staff compensation, marketing costs, office rental, depreciation, communications and travel costs, foreign exchange gains/losses, amortization of software and intangible assets and goodwill impairment loss (described in the following paragraphs).

We have issued share awards under two equity compensation plans (“ECP”) to former employees, consultants and employees of third party service providers after they resigned or retired from their respective employment or consultancy service. Under these two plans, the share grants vest over a five-year period on a graded vesting basis, with a percentage of shares vesting each year. The grantee is subject to the non-compete terms stipulated in the plan. The Company has the ability to enforce the non-compete agreement by forfeiting the unvested shares if the grantee fails to comply with the non-compete terms. There is no vesting condition other than the non-compete terms. We recognize the intangible asset relating to the non-compete provisions of each of the above awards at the fair value of the respective award. The intangible asset is amortized over the non-compete period specified in the award on a straight-line basis. The amortization expense relating to these intangible assets is included in the general and administrative costs.

In December 2009, our subsidiary, eMedia Asia Limited (“eMedia Asia”), acquired the entire issued share capital of eMedia South China Limited which holds a 70% equity interest in Shenzhen Herong GS Exhibition Co., Ltd. for a total purchase consideration of $6.8 million. We accounted for this acquisition as a business combination. We recorded the acquired intangible assets at fair value of $5.8 million and goodwill of $2.5 million in connection with this acquisition. A majority of amortizable intangible assets have useful lives of 14 years and the others less than one year. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs. There was no impairment to goodwill during the years ended December 31, 2011 and 2010 based on our assessment.

On April 2, 2011, eMedia Asia acquired 100% interest in EDN Asia Advertising Pte Ltd (formerly known as “Canon Communications Asia Pte Ltd”) and Beijing EDN Advertising Production Co., Ltd (formerly known as “Beijing Reed Advertising Services Co., Ltd.”) which together own EDN China, EDN Asia and certain other associated publication titles and websites from Canon Communications LLC, a subsidiary of United Business Media Limited, for a purchase consideration of approximately $4.1 million. During the three months ended December 31, 2011, we completed the purchase price allocation and recorded cash and other assets acquired at a fair value of $1.5 million, the acquired intangible assets at fair value of $1.6 million and the related deferred tax liabilities of $0.4 million, liabilities assumed at a fair value of $0.6 million, and goodwill of $2.0 million in connection with this acquisition. A majority of amortizable intangible assets have useful lives of 6 years and the others one year. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs. Subsequent to the acquisition, during the year 2011 management had restructured the operations of the acquired business and discontinued some of the print editions of EDN Asia Publication. We performed an impairment review as at December 31, 2011 which revealed a shortfall in the future cash flows to support the recoverability of the EDN business. The cashflow projections used by us was based on the detailed financial and operating plans of the acquired business, which took into consideration the results of the post-acquisition review and the more than anticipated softening of the print advertising market since the acquisition date. Accordingly, an impairment of $0.7 million to goodwill was recorded under general and administration costs in the consolidated income statement during the three months ended December 31, 2011.

General and administrative costs increased by 21% from $33.5 million during the year ended December 31, 2010 to $40.7 million during the year ended December 31, 2011, due mainly to increases in marketing costs, payroll costs, fees paid to third party consultants, an impairment loss to goodwill, depreciation cost and exchange loss attached with the acquisition of the new Shanghai property in the fourth quarter of 2011, non-cash share based compensation expenses, amortization expenses and a one-time impairment loss to goodwill for newly acquired intangible assets relating to EDN Asia and EDN China business discussed in the preceding paragraph.

Information and Technology

Information and technology costs consist mainly of payroll, office rental, depreciation costs and fees paid to third parties relating to our information and technology support services and the updating and maintenance of Global Sources Online.

Information and technology costs increased by 7% from $11.8 million during the year ended December 31, 2010 to $12.6 million during the year ended December 31, 2011 due mainly to increases in payroll costs, depreciation costs and fees paid to third party consultants off-set partially by a decline in internet and website hosting costs.

Non-Cash Compensation Expense

We have issued share awards under several equity compensation plans (“ECP”) to both employees and non-employees. The Company’s share awards to non-employees are share grants to consultants and to employees of third party service providers. We also recognize non-cash compensation expenses relating to the share awards granted to our directors under The Global Sources Directors Share Grant Award Plan.

The share grants to employees and non-employees vest over a six-year period on a graded vesting basis, with a percentage of shares vesting each year. The share grants have a service condition that the awardees who received the share grants must continue to provide the services during the vesting period. The awardees will receive the shares on the respective vesting dates if they continue to render services to the Company. If an awardee ceases to provide services, any shares that have not vested are forfeited.

Persons eligible to receive grants under the Global Sources Directors Share Grant Award Plan are the directors of the Company. Share grants to directors will be vested at the end of four years or in accordance with such other vesting schedule as may be determined by the Plan Committee.

The Company accelerates the vesting of share grants in the event of death of an awardee or if the Company is in liquidation or in certain cases, if there is a takeover or a change of control of the Company.

The total non-cash compensation expenses, resulting from ECP and The Global Sources Directors Share Grant Award Plan recorded by us and included under the respective categories of expenses during the year ended December 31, 2011 and during the year ended December 31, 2010 were $2.8 million and $2.2 million, respectively.

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

Profit from Operations

The total profit from operations during the year ended December 31, 2011 was $31.7 million as compared to $25.6 million during the year ended December 31, 2010. The growth in total profit from operations resulted mainly from increased revenue, off-set partially by increases in sales costs, event production costs, community and content costs, general and administrative costs and information and technology costs.

Profit from operations for online and other media services increased from $17.4 million during the year ended December 31, 2010 to $21.1 million during the year ended December 31, 2011, an increase of 21%. The growth resulted mainly from a growth in online and other media services revenue, off-set partially by increases in sales costs, community & content costs, general and administrative costs and information and technology costs. Profit from operations for exhibition services grew from $5.1 million during the year ended December 31, 2010 to $7.3 million during the year ended December 31, 2011. The increase resulted mainly from a growth in exhibitions revenue, off-set partially by increases in sales costs, event production costs, community and content costs and general and administrative costs. Profit from operations for all other segments grew from $3.1 million during the year ended December 30, 2010 to $3.4 million during the year ended December 31, 2011 as a result of increase in rental income.

Interest Income

We recorded interest income of $0.4 million arising mainly from U.S. Treasury securities and term deposits placed with banks during the year ended December 31, 2011 compared to interest income of $0.5 million during the year ended December 31, 2010. The decline in interest income was mainly due to lower yield on the term deposits with the banks during the first half of 2011 as well as a decline in our cash and bank balances as a result of our property purchase in Shanghai, China in the third quarter of 2011 and our share repurchase through tender offer that we completed in the third quarter of 2010.

Income Taxes

Certain of our subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Some 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 $1.6 million during the year ended December 31, 2011 and $1.1 million during the year ended December 31, 2010.

Net Profit Attributable to the Company

Net profit attributable to the company grew from $25.3 million during the year ended December 31, 2010 to $29.5 million during the year ended December 31, 2011. The growth in net profit attributable to the Company resulted mainly from growth in revenue, off-set partially by increases in sales costs, event production costs, community and content costs, general and administrative costs, information and technology costs, and decline in interest income and in addition, there was a gain on sale of available-for-sale securities of $1.2 million recorded during the year ended December 31, 2010 while there was no similar gain recorded in the year 2011.

Diluted Net Profit per Share

The diluted net profit per share attributable to the Company's shareholders increased from $0.61 for the year ended December 31, 2010 to $0.83 for the year ended December 31, 2011. The number of shares used for the computation of net profit per share decreased from 41.7 million to 35.4 million as we repurchased our shares through tender offer in the third quarter of 2010.

Fiscal Year 2010 Compared to Fiscal Year 2009

Revenue

Total revenue grew by 14% to $196.6 million during the year ended December 31, 2010 from $172.9 million during the year ended December 31, 2009, primarily due to growth in our Exhibitions revenue. Our online and other media services revenue grew by $8.4 million or 7% to $122.2 million for the year ended December 31, 2010, as compared with $113.8 million for the year ended December 31, 2009 primarily due to a 12% growth in our China market and growth in our US market, off-set by declines in our other markets. The growth in our online and other media services Revenue resulted mainly from a 14% growth in our revenue from hosting online websites and digital magazines for our customers off-set partially by a 12% decline in the print advertising. China represented 73% of online and other media services revenue for the year ended December 31, 2010 compared to 70% for the year ended December 31, 2009. Our Exhibitions revenue grew from $55.1 million for the year ended December 31, 2009 to $69.5 million for the year ended December 31, 2010, a growth of 26%, due mainly to our rescheduled China Sourcing Fairs events in Shanghai held in January 2010, our first Electronics event launched in June 2010 in Shanghai, increase in our booth yield for our China Sourcing Fairs events in Hong Kong, increase in number of booths sold in our Dubai event, our newly acquired China International Optoelectronic Expo event launched in September 2010 in Shenzhen and our new China Sourcing Fairs events we launched in Singapore and Johannesburg, South Africa in the fourth quarter of 2010, off-set partially by a decline in revenue from our International IC China Conferences and Exhibitions in China held in the first and third quarters of 2010. China represented 80% of Exhibitions revenue for the year ended December 31, 2010 compared to 74% for the year ended December 31, 2009. We continue to look for opportunities to expand the number of our exhibition events and locations for our events.

Total revenue from China grew by 20% during the year ended December 31, 2010 compared to the year ended December 31, 2009. Total company revenue grew by 14% during the year when compared to the prior period.

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. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated. 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.

Sales costs increased from $63.7 million during the year ended December 31, 2009 to $71.9 million during the year ended December 31, 2010, an increase of 13%. This was mainly due to an increase in sales commissions due to increase in revenue, and increase in share based non-cash compensation expenses as well as increase in business tax in year 2010 compared to 2009 as per the applicable expanded China Business Tax implementation regulations. In addition, a $2.8 million reversal of our business tax accrual that had been recorded in the fourth quarter of 2009, due to a clarification surrounding the implementation of the expanded China Business Tax regulations announced at that time.

Event Production

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

Event production costs increased from $18.4 million during the year ended December 31, 2009 to $21.9 million during the year ended December 31, 2010 primarily due to the increase in number of exhibition events as we held our rescheduled Shanghai China Sourcing Fairs events in January 2010, launched a new China Sourcing Fairs event in Shanghai in June 2010, launched the China International Optoelectronic Expo event in Shenzhen in September 2010 and launched new China Sourcing Fairs events in Singapore and Johannesburg, South Africa as well as increase in booth construction and other event organizing costs resulting from increase in number of booths sold in Dubai event in June 2010, partially off-set by reduction in booth construction and other event organizing costs resulting from a decline in the number of exhibition booths sold for our International IC China Conferences and Exhibitions in China in the first and third quarters of 2010 and reduction in venue rental costs for our China Sourcing Fairs events in Hong Kong as our effective rental cost per square feet declined.

Community and Content

Community and content costs consist of the costs incurred for servicing our buyer community as well as for marketing our products and services to the global buyer community and our content management services costs for our print publications business and online services business. Community and content 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 as incurred.

Community and content costs declined from $34.5 million during the year ended December 31, 2009 to $31.9 million during the year ended December 31, 2010, a decline of 8%. This decline was due mainly to a 31% decline in bulk circulation costs, paper cost and printing charges resulting from the implementation of certain cost saving measures off-set partially by increases in online promotions to buyer community. We also reduced our buyer promotion costs for our exhibition events and reduced our participation in third party trade shows during first half of 2010 in efforts to reduce our costs.

General and Administrative

General and administrative costs consist mainly of corporate staff compensation, marketing costs, office rental, depreciation, communication and travel costs, Foreign exchange gains/losses and amortization of software and intangible assets (described in the following paragraphs).

We have issued share awards under two equity compensation plans ("ECP") to former employees, consultants and employees of third party service providers after they were resigned or retired from their respective employment or consultancy service. Under these two plans, the share grants vest over a five-year period on a graded vesting basis, with a percentage of shares vesting each year. The grantee is subject to the non-compete terms stipulated in the plan. The Company has the ability to enforce the non-compete agreement by forfeiting the unvested shares if the grantee fails to comply with the non-compete terms. There is no vesting condition other than the non-compete terms. We recognize the intangible asset relating to the non-compete provisions of each of the above awards at the fair value of the respective award. The intangible asset is amortized over the non-compete period specified in the award on a straight-line basis. The amortization expense relating to these intangible assets is included in the general and administrative costs.

In December 2009, our subsidiary, eMedia Asia Limited ("eMedia Asia"), acquired the entire issued share capital of eMedia South China Limited (previously known as "UBM South China Limited"), a company incorporated in the Hong Kong Special Administrative Region, which holds a 70% equity interest in Shenzhen Herong GS Exhibition Co., Ltd.(previously known as Shenzhen Herong UBM Exhibition Co., Ltd.). Shenzhen Herong GS Exhibition Co., Ltd. operates a trade show in the PRC known as the "China International Optoelectronic Expo". We accounted for this acquisition as a business combination. We paid $5.8 million cash consideration and assumed liabilities of $0.8 million resulting in a total consideration of $6.6 million. The liabilities assumed shall be paid within one year subject to any adjustments and settlements in respect of any outstanding warranty claims and completion of certain other requirements. During 2010, we have fully paid $0.8 million liabilities assumed. In 2010, we completed the final valuation and purchase price allocation and recorded the acquired intangible assets at fair value of $5.8 million and goodwill of $2.5 million in connection with this acquisition. We also recorded $1.5 million deferred tax liability related to the intangible assets. A majority of amortizable intangible assets have useful lives of 14 years and the others less than one year. In addition, we recorded $2.7 million non-controlling interest which represents the fair value at acquisition date of the 30% share of the minority shareholder in the Shenzhen Herong GS Exhibition Co., Ltd. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs. There was no impairment to goodwill during the years ended December 31, 2010 and 2009 based on our assessment.

General and administrative costs increased by 12% from $30.0 million during the year ended December 31, 2009 to $33.5 million during the year ended December 31, 2010, due mainly to increases in travel costs, payroll costs, bartered marketing expenses, fees paid to third parties, costs incurred for our tender offer to buy back our shares, amortization of intangibles, foreign exchange losses and share based non-cash compensation expenses.

Information and Technology

Information and technology costs consist mainly of payroll, office rental and depreciation costs and fees paid to third parties relating to our information and technology support services and the updating and maintenance of Global Sources Online.

Information and technology costs remained at $11.8 million during the year ended December 31, 2010 and during the year ended December 31, 2009.

Non-Cash Compensation Expense

We have issued share awards under several equity compensation plans (“ECP”) to both employees and non-employees. The Company’s share awards to non-employees are share grants to consultants and to employees of third party service providers. We also recognize non-cash compensation expenses relating to the share awards granted to our directors under The Global Sources Directors Share Grant Award Plan.

The share grants to employees and non-employees vest over a six-year period on a graded vesting basis, with a percentage of shares vesting each year. The share grants have a service condition that the awardees who received the share grants must continue to provide the services during the vesting period. The awardees will receive the shares on the respective vesting dates if they continue to render services to the Company. If an awardee ceases to provide services, any shares that have not vested are forfeited.

Persons eligible to receive grants under the Global Sources Directors Share Grant Award Plan are the directors of the Company. Share grants to directors will be vested at the end of four years or in accordance with such other vesting schedule as may be determined by the Plan Committee.

The Company accelerates the vesting of share grants in the event of death of an awardee or if the Company is in liquidation or in certain cases, if there is a takeover or a change of control of the Company.

The total non-cash compensation expenses, resulting from ECP and The Global Sources Directors Share Grant Award Plan recorded by us and included under the respective categories of expenses increased from $1.7 million during the year ended December 31, 2009 to $2.2 million during the year ended December 31, 2010. The increase was mainly due to the new share awards for 2010, off-set partially by completion of vesting of some of the past share awards.

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

Profit from Operations

The total profit from operations for the year ended December 31, 2010 was $25.6 million as compared to $14.4 million for the year ended December 31, 2009. The growth in total profit from operations resulted mainly from a growth in revenue and a decline in community and content costs, off-set partially by increases in sales costs together with the $2.8 million reversal of business tax in the fourth quarter of 2009 discussed in the paragraph on sales costs, event production costs and general and administration costs.

Profit from operations for online and other media services increased from $10.7 million during the year ended December 31, 2009 to $17.4 million during the year ended December 31, 2010, an increase of 63%. The growth resulted mainly from a growth in online and other media services revenue and a decline in community and content costs, off-set partially by increases in sales costs, general and administrative costs. Profit from operations for exhibition services grew from $1.5 million during the year ended December 31, 2009 to $5.1 million during the year ended December 31, 2010. The increase resulted mainly from a growth in exhibitions revenue and a decline in community and content costs, off-set partially by increases in sales costs, event production costs and general and administrative costs. The profit from operations for all other segments increased from $2.2 million for the year ended December 31, 2009 to $3.1 million for the year ended December 2010 as a result of increase in rental income.

Interest Income

We recorded an interest income of $0.5 million for the year ended December 31, 2010, arising mainly from U.S. Treasury securities and term deposits placed with banks compared to an interest income of $1.0 million for the year ended December 31, 2009. The decline in interest income was mainly due to lower yield on term deposits placed with banks during the year ended December 31, 2010 as well as lower term deposit with banks resulting from our $100.1 million share repurchase through tender offer that was completed in August 2010.

Gain on Sale of Available-for-sale Securities

During the year ended December 31, 2010, we recorded a gain on sale of available-for-sale securities of $1.22 million as we sold our available-for-sale securities during the fourth quarter of 2010.

Income Taxes

Certain of our subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Some 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 expense of $1.1 million for the year ended December 31, 2010 compared to a tax expense of $0.5 million for the year ended December 31, 2009.

Net Profit attributable to the Company's Shareholders

Net profit attributable to the Company's shareholders was $25.3 million for the year ended December 31, 2010, compared to net profit attributable to the Company's shareholders of $14.3 million for the year ended December 31, 2009. The growth in net profit attributable to the Company's shareholders resulted mainly from growth in revenue, gain on sale of available-for-sale securities and decline in community and content costs off-set partially by increases in sales costs, event production costs, general and administration costs, and a decline in interest income.

Diluted Net Profit Per Share

The diluted net profit per share attributable to the Company's shareholders increased from $0.31 to $0.61 mainly due to increase in net profit. The number of shares used for the computation of diluted net profit per share decreased from 45.8 million for the year ended December 31, 2009 to 41.7 million for the year ended December 31, 2010 as we repurchased our shares through tender offer in the third quarter of 2010.

Liquidity and Capital Resources

We financed our activities for the year ended December 31, 2011 using cash generated from our operations and we had no bank debt as of December 31, 2011.

Net cash generated from operating activities was $55.2 million during the year ended December 31, 2011, compared to $46.9 million cash generated from operating activities during the year ended December 31, 2010. The primary source of cash from operating activities was collections from our customers received through our independent sales representative organizations.

Receivables from sales representative organizations declined from $8.2 million as of December 31, 2010 to $6.5 million as of December 31, 2011 as our sales representatives transferred the collections to our bank accounts. In the long term, if our China business and our exhibition business grow as the economic climate improves, the receivables from sales representative organizations may increase. All of the authorized signatories to the collection depository bank accounts maintained by our sales representatives in China are our employees, a majority of whom are senior management.

Advance payments received from customers were $110.1 million as of December 31, 2011, compared to $97.3 million as of December 31, 2010, which improved our liquidity. The majority of our customers in China pay us in advance for our Online and Other Media Services business. The majority of our Exhibitions business collections are also advance payments.

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

We did not recognize deferred income tax assets of $9.3 million in respect of losses as at December 31, 2011 that can be carried forward against future taxable income as the losses arose from dormant and/or loss-making subsidiaries whereby the realization of the related tax benefit through future taxable profits is not probable.

Net cash used in investing activities was $74.3 million during the year ended December 31, 2011, resulting from the $52.0 million cashed used for purchase of office premises in and investment property in Shanghai, China, $4.7 million cash used for the purchase of computers, software, leasehold improvements and office furniture, $3.5 million placement of term deposits with banks, $18.2 million purchase of available-for sale securities and $3.4 net consideration paid for acquisition of controlling interest in a business, off-set partially by $2.2 million proceeds from matured time deposits with banks, $5.0 million proceeds from sale of available-for-sale securities and $0.3 million in interest received. Net cash generated from investing activities was $63.0 million during the year ended December 31, 2010, resulting from the $58.3 million net proceeds from matured term deposits with banks, $6.8 million proceeds from sale of available-for-sale securities, $1.2 million interest received off-set partially by $2.5 million cash used for capital expenditures mainly for the purchase of computers, software, office furniture, leasehold improvements and $0.8 million payment for the acquisition of a controlling interest in a subsidiary.

Capital expenditures during the three months period ended March 31, 2012 amounted to $0.6 million and were incurred mainly for computers, software, office furniture, office equipment and leasehold improvements. Our capital expenditures were financed using cash generated from our operations.

In 2004, 2007 and 2008 we purchased office space of 9,000 square meters, 1,939.38 square meters and 6,364.50 square meters, respectively, in commercial buildings in Shenzhen China. In 2008 we also purchased office space of 22,874 square feet together with six car parking spaces in a commercial building in Hong Kong SAR. In the third quarter of 2011, we purchased office space of approximately 6,668 square meters in a commercial building in Shanghai, China at a purchase price of approximately $52.0 million, to support our continued business expansion in China. The payments for this acquisition were funded from our internal cash resources. These buildings are situated on leasehold lands with lease periods ranging between 50 to 55 years. We record the depreciation on these assets on a straight-line basis over the remaining lease term. As at December 31, 2011, the usage of the office space was reviewed and based on the Company’s intention; the portion of the properties with net book value amounting to $75.4 million that is designated to generate rental income in the short to medium term has been re-classified as Investment Properties. The total net book value of these four office properties including the portion classified as investment property and the portion classified under Property and Equipment as of December 31, 2011 and as of December 31, 2010 was $124.5 million and $71.5 million, respectively. The total market value of these office properties as of December 31, 2011 and 2010 were $209.8 million and $136.4 million, respectively, based on independent valuation reports prepared by Savills Valuation and Professional Services Limited, Hong Kong. There was no impairment to any of our properties as of December 31, 2011 and as of December 31, 2010. We did not record the market valuation gains as we record our property and equipment and investment properties at cost less the accumulated depreciation.

We invest our excess cash in term deposits with commercial banks, U.S. Treasury securities and available-for-sale securities to generate income from interest received as well as capital gains, while the funds are held to support our business.

Generally, we hold securities with specified maturity dates such as Treasury Bills until their maturity. We invest excess cash on hand in short term U.S. Treasury Bills and in term deposits with major banks to generate interest income. The market values of U.S. Treasury Bills and term deposits with banks as at December 31, 2011 were $13.3 million and $59.1 million, respectively, compared to the market values of U.S. Treasury Bills and term deposits with banks as at December 31, 2010 of $59.3 million and $17.6 million, respectively. We do not engage in buying and selling of securities with the objective of generating profits on short-term differences in price or for other speculative purposes. Our objective is to invest to support our capital preservation strategy.

We hold a Documentary Credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to our suppliers. This facility has a maximum limit of approximately $0.6 million. As at December 31, 2011, the unutilized amount under this facility was approximately $0.5 million. Hongkong and Shanghai Banking Corporation Limited has also provided a guarantee on our behalf to our suppliers. As at December 31, 2011, such guarantee amounted to $0.003 million.

During the first quarter of 2007, we entered into a number of venue license agreements for our exhibition events amounting to $44.4 million in payments over five and a half years, and in January 2011, we signed supplemental agreements for additional space, increasing the total amount to $44.5 million. The agreements are cancelable under force majeure conditions, or upon notice and payment of cancellation charges to the other party. In May 2010, we entered into a number of venue license agreements for our exhibition events amounting to a gross value of approximately $16.7 million in payments over five years. Again, in December 2010, we entered into a number of venue license agreements for our exhibition events amounting to a gross value of approximately $3.3 million in payments over four years. The agreements are cancelable under force majeure or other specified conditions, or upon notice and payment of cancellation charges to the other party. The amounts paid will be expensed when the related events are held. As of December 31, 2011, we have paid approximately $37.9 million under these agreements.

Net cash used in financing activities was $0.4 million during the year ended December 31, 2011, resulting from $0.4 million payment of dividend to non-controlling shareholder by a subsidiary. Net cash used in financing activities was $100.4 million during the year ended December 31, 2010, resulting from $100.1 million used for repurchase of common shares by tender offer to all shareholders of the Company and $0.3 million payment of dividend to non-controlling shareholder by a subsidiary.

As approved by our board of directors, in August 2010 we repurchased through a tender offer 11,121,000 of our common shares at purchase price of $9.00 per share and paid a total of $100.1 million in purchase consideration to the tendering shareholders. We are holding the repurchased shares as treasury shares.

On February 4, 2008, our board of directors authorized a program to buy back up to $50.0 million of common shares. We may, from time to time, as business conditions warrant, purchase shares in the open market or through private transactions. The buyback program does not obligate us to buy back any specific number of shares and may be suspended or terminated at any time at management’s discretion. The timing and amount of any buyback of shares will be determined by management based on its evaluation of market conditions and other factors. As of December 31, 2011, we have not bought back any of our shares under this program.

On April 2, 2011, our subsidiary, eMedia Asia Limited in which the Company owns 60.1% equity interest, acquired 100% interest in EDN Asia Advertising Pte Ltd (formerly known as Canon Communications Asia Pte Ltd) and Beijing EDN Advertising Production Co., Ltd. (formerly known as Beijing Reed Advertising Services Co., Ltd.), which together own EDN China, EDN Asia and certain other associated publication titles and websites, from Canon Communications LLC, a subsidiary of United Business Media Limited, for a consideration of approximately $4.1 million. Accumulated acquisition related costs of approximately $0.31 million were incurred during 2010 and 2011. The acquisition costs have been expensed under general and administrative expenses in the consolidated income statements.

With the acquisition of EDN China and EDN Asia, eMedia Asia Limited further expands the reach of its multi-channel media network that serves to advance the design capability and competitiveness of electronics manufacturers in Asia and throughout China. We accounted for this acquisition as a business combination. We paid a total purchase consideration of $4.1 million. The purchase price allocation was completed in the fourth quarter of

2011 and we recorded the acquired intangible assets of $1.6 million and the related deferred tax liabilities of $0.4 million and goodwill of $2.0 million in connection with this acquisition. A majority of the intangible assets have useful lives of 6 years and the others of twelve months. The amortization expense relating to these acquired intangible assets of $0.35 million was included in the general and administrative costs in the consolidated income statement for the year ended December 31, 2011. Correspondingly, we recorded $0.07 million credit to income tax expense, in relation to the deferred tax liabilities arising from these intangible assets in the consolidated income statement for the year ended December 31, 2011. The acquired entities are being consolidated with effect from the date of acquisition. As explained in the paragraphs on general and administrative costs, we recorded an impairment loss to goodwill of $0.7 million during the three months and year ended December 31, 2011.

Subsequent to the year end, during the first quarter of 2012, we acquired 80% interest in Haoji Group Limited which, through a subsidiary incorporated in Hong Kong, owns 100% of Huanyu Shishang Exhibition (Shenzhen) Co., Ltd, a company incorporated in China, that organizes and hosts the China (Shenzhen) International Brand Clothing & Accessories Fair (SZIC), one of the largest fashion shows in Asia, for a total consideration of up to approximately $17.3 million, comprising an initial cash consideration of up to approximately $13.0 million that was paid upon completion of the transaction, and another additional cash consideration of up to approximately $4.3 million that is payable upon certain performance related conditions being fulfilled. SZIC is held annually in Shenzhen, one of the major cities in garment designing and manufacturing in China. Started in 2001, the show has continually grown and developed each year. The 2012 show is scheduled to be held in July 2012. The apparel industry in China is moving from pure manufacturing to design and innovation, driving Chinese brands to become more well-known and prestigious, ultimately accelerating China's domestic demand. With SZIC's dominant presence in the expanding fashion industry combined with Global Sources' established global presence and strong network in China, this investment positions us to take advantage of this emerging opportunity. The acquisition costs relating to this acquisition are estimated to be $0.35 million, of which $0.05 million was expensed in the year ended December 31, 2011 under the general and administrative expenses in the consolidated income statement. We will record this acquisition as a business combination. Details of the fair value of assets acquired and liabilities assumed, the amount of goodwill to be recorded and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still in progress. The acquired entities will be consolidated with effect from the date of acquisition.

During the first quarter of 2012, we subscribed to an approximate 10% of equity interest in Shooii Limited, an Australian start-up company, which will operate an online retail platform for footwear for approximately $0.3 million.

The following table summarizes our contractual obligations as of December 31, 2011:

	Payments due by period (in U.S. Dollars Thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Contractual Obligations					
Operating leases	$778	$711	$67	—	—
Purchase obligations	3,450	2,321	1,129	—	—
Deferred income and customer prepayments - long term	8,290	—	8,290	—	—
Total	$12,518	$3,032	$9,486	$—	$—

Provision for taxes have not been included in the above table because the periods of cash settlement with the respective tax authority cannot be reasonably estimated.

Deferred income and customer prepayments – long term have been included as the Company can be obliged to refund certain customer prepayments under certain circumstances.

We anticipate that our cash and securities on hand and expected positive cash-flows from our operations will be adequate to satisfy our working capital needs, capital expenditure requirements and cash commitments for the next 12 months. However, looking to the long term, we may raise additional share capital, sell debt securities, or obtain credit facilities as and when required to further enhance our liquidity position, and an issue of additional shares could result in dilution to our shareholders.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on our Group. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted.

IAS 19, 'Employee benefits' was amended in June 2011. The requirements of the standard are as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). We have yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. We have yet to assess IFRS 9's full impact and intend to adopt IFRS 9 no later than the accounting period beginning on 1 January 2013.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. We have yet to assess IFRS 10's full impact and intend to adopt IFRS 10 no later than the accounting period beginning on 1 January 2013.

IFRS 11 replaces the guidance on 'Joint ventures' in IAS 31 -Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The new standard introduces a principles-based approach to accounting for joint arrangements that requires a party to a joint arrangement to recognize its rights and obligations arising from the arrangement. The new standard requires that joint ventures be accounted for under the equity method thus eliminating the option to proportionally consolidate such ventures. We have yet to assess IFRS 11's full impact and intend to adopt IFRS 11 no later than the accounting period beginning on 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. We have yet to assess IFRS 12's full impact and intend to adopt IFRS 12 no later than the accounting period beginning on 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and U.S. GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or U.S. GAAP. We adopted IFRS 13 for the accounting period beginning on 1 January 2012 and it is unlikely that this standard will have significant impact on our Group's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on our Group.

Non-IFRS Measures

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

The non−IFRS financial measures that we use in our press releases on our quarterly financial information are the following:

"Non-IFRS Net Profit" is defined as IFRS net profit excluding non-cash stock based compensation expense or credit, amortization of intangible assets relating to certain non-compete agreements, gains or losses on acquisitions and investments, and/or impairment charges.

"Non-IFRS diluted net profit per share" is defined as Non-IFRS Net Profit divided by the weighted average of diluted common shares outstanding.

We believe that non-IFRS metrics are useful measures of operations because these help investors to understand and compare business trends among different reporting periods on a consistent basis, independently of share-based compensation and items non- indicative of recurring operating activities. Thus non-IFRS financial metrics enable investors to assess our operating results in a manner that is focused on the performance of our ongoing operations.

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth information regarding the persons who are our executive officers and directors as of the date of this Annual Report.

Name	Age	Position
Merle Allan Hinrichs	70	Director and Executive Chairman
Spenser Au	57	Chief Executive Officer
Connie Lai	38	Chief Financial Officer
Brent Barnes	39	Chief Operating Officer
Peter Zapf	43	Chief Information Officer
Sarah Benecke	55	Director
Eddie Heng Teng Hua	61	Director
Roderick E. Chalmers	64	Director
David F. Jones	47	Director
James A. Watkins	66	Director
Yam Kam Hon Peter	65	Director

Mr. Hinrichs has been a director since April 2000 and is currently our Executive Chairman. He was our Chief Executive Officer from April 2000 to August 2011. A co-founder of the business, he was the principal executive officer of our predecessor company, Trade Media Holdings Limited, a Cayman Islands corporation wholly owned by us ("Trade Media"), from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrichs was chairman of the ASM Group, which included Trade Media. Mr. Hinrichs is a director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrichs graduated from the University of Nebraska and the Thunderbird School of Global Management ("Thunderbird"). Mr. Hinrichs is a founder and former chairman of the Society of Hong Kong Publishers. He is a member of the board of trustees of Thunderbird and is a board member of the Economic Strategy Institute. He is also an investment Promotion Ambassador with Invest Hong

Kong. His term as director expires in 2012.

Mr. Au was appointed as our Chief Executive Officer in August, 2011. Mr. Au first became a team member in 1978 as an account executive for Asian Sources Electronics magazine. The positions through which he advanced to senior management included regional sales manager in 1988, associate publisher in 1991, publisher in 1992 and president of Asian Sales in 1999. Mr. Au has a deep knowledge of Greater China and other markets where the company operates. Mr. Au received a Diploma in Business Management in 1977 from the Hong Kong Baptist University.

Ms. Lai was appointed as our Chief Financial Officer effective August 2010. Ms. Lai joined Global Sources in June 2007 as financial controller, Hong Kong & China. Prior to joining Global Sources, she was chief financial officer and an executive director of HC International, Inc., a Hong Kong listed company. Earlier in her career, she spent over four years with PricewaterhouseCoopers ("PwC") Hong Kong. Ms. Lai graduated from the Chinese University of Hong Kong with a bachelor's degree in professional accountancy. She is also a Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Barnes was appointed as our chief operating officer in January 2012. Mr. Barnes is responsible for the company's worldwide operations, including community development, content development, human resources and administration. Mr. Barnes began his career handling operations for a group of lobbyists in Austin, Texas. Later, he moved to Mexico City, where he designed and delivered training programs for executives at Ford Motor Co. and Mercedes-Benz. Upon completion of his MBA, Mr. Barnes spent a year working as a Market Analyst for Global Sources in Phoenix, Arizona before moving to Hong Kong to become Executive Assistant to the Chairman & CEO in June of 2000. Since 2003 he has spent time managing each of the core operational departments and assumed the role of General Manager of Content & Community Development in December 2009. Mr. Barnes holds a Bachelor of Arts degree from the University of Texas at Austin and an MBA from the Thunderbird School of Global Management.

Mr. Zapf was appointed as our chief information officer in January 2012. Mr. Zapf began his career in software project management with the United States Air Force. He then joined Global Sources in Phoenix, Arizona, working on the development, sales and marketing of the company's early software and e-commerce products. Later, he worked as a research analyst at Bear Stearns in New York, focusing on the business-to-business market, after which he joined Hong Kong-based AsiaCommerce, a startup incubator, as Chief Executive Officer. He rejoined Global Sources in 2001, and was chief operating officer from January 2011 to December 2011. Mr. Zapf holds a BS in Electrical Engineering and Engineering and Public Policy from Carnegie Mellon University, an MS in Computer Science from Troy State University, and an MBA from Thunderbird, the American Graduate School of International Management.

Ms. Benecke has been a director since April 2000 and, since 1993, has been a director of Trade Media. Ms. Benecke was our principal executive officer from January 1994 through August 1999. She joined us in May 1980 and served in numerous positions, including publisher from 1988 to December 1992 and chief operating officer in 1993. From September 1999 to July 2010, Ms. Benecke served as a consultant to Publishers Representatives Ltd. (Hong Kong), a subsidiary of our company. Her consulting work focused largely on the launch, development and expansion of the "China Sourcing Fairs" in Shanghai, Hong Kong, Mumbai, Dubai, Singapore and Johannesburg. Ms. Benecke is also on the board of Australian media company, McPherson Media, and of Australian online footwear retail company, Shooii Limited. She graduated with a B.A. from the University of New South Wales, Australia. Her term as director expires in 2013.

Mr. Heng has been a director since April 2000. He joined us in August 1993 as deputy to the vice president of finance and was the Chief Financial Officer (previously titled vice president of finance) from 1994 until June 30, 2009. Mr. Heng returned to serve as Interim Chief Financial Officer from June 30, 2010 until August 1, 2010. He received an MBA from Schiller International University in London in 1993, is a Singapore Certified Public Accountant, a member of the Institute of Certified Public Accountants, Singapore, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Mr. Heng is currently a director and audit committee chairman of Prison Fellowship Singapore, a Christian non-profit organization that provides counseling and skills training to prisoners and financial support to their families. Prior to joining us, he was the regional financial controller of Hitachi Data Systems, a joint venture between Hitachi and General Motors. His term as director expires in 2013.

Mr. Chalmers has been a director since October 2000. He has been the Chairman of the Board of Directors of the Bank of Valletta plc, Malta since 2004. He was chairman, Asia-Pacific, of PricewaterhouseCoopers LLP and a member of PwC's Global Management Board from 1998 until his retirement in July 2000. He is a 30-year veteran with PwC's merger partner Coopers & Lybrand with specialist experience in the securities industry. He has at various times been a non-executive director of the Hong Kong SAR Securities and Futures Commission, a member of the Takeovers and Mergers Panel, and chairman of the Working Group on Financial Disclosure. He is a director of Gasan Group Limited (Malta), MSV Life plc (Malta), Simonds Farsons Cisk Limited (Malta) and Middlesea Insurance plc (Malta). His term as director expires in 2012.

Mr. Jones has been a director since April 2000. In August 2011 Mr. Jones became Executive Director of Better Place Australia Pty Ltd, a leading electric vehicle services provider in Australia. He spent the previous 17 years in the private equity industry, and before that he was in management consulting, investment banking and general management. Mr. Jones was Managing Director of CHAMP Private Equity, a leading Australian buyout firm from 2002 to 2011. In 1999, he founded and, until 2002, led the development of UBS Capital's Australian and New Zealand business. Prior to that, he spent four years with Macquarie Direct Investment, a venture capital firm in Sydney, Australia, and one year at BancBoston Capital in Boston, Massachusetts. Mr. Jones began his career as a consultant with McKinsey & Company in Australia and New Zealand. He left McKinsey to take the role of general manager of Butterfields Cheese Factors, of the King Island Dairies group. He is a director of EC English Pty Ltd, EMR Capital Pty Ltd and The National Museum of Australia. He was previously Chairman of the Australian Venture Capital Association Limited and a director of various listed and unlisted companies in Australia. Mr. Jones holds a Bachelor of Engineering (First Class Hons.) from the University of Melbourne and a Master of Business Administration from Harvard Business School. His term as director expires in 2014.

Mr. Watkins was appointed as a casual director, (see "Election or Removal of Directors" under Item 10 for a description of a "casual director") on February 28, 2005 and was elected as a director at our annual general meeting on May 9, 2005. Mr. Watkins was a director and group general counsel of the Jardine Matheson Group in Hong Kong from 1997 until 2003. He was group legal director of Schroders plc in 1996 to 1997 and of Trafalgar House plc from 1994 to 1996. He was previously a partner and solicitor in the London and Hong Kong offices of Linklaters from 1975 to 1994. He currently is a non-executive director of Mandarin Oriental International Ltd., Jardine Cycle & Carriage Ltd., Advanced Semiconductor Manufacturing Corporation Ltd., IL&FS India Realty Fund II LLC, Asia Satellite Telecommunications Holdings Ltd. and Hongkong Land Holdings Ltd., and is a member of the audit committees of Jardine Cycle & Carriage Ltd. and Asia Satellite Telecommunications Holdings Ltd. and the chairman of the audit committee of Advanced Semiconductor Manufacturing Corporation Ltd. Mr. Watkins has a law degree from the University of Leeds (First Class Hons.). His term as director expires in 2014.

Mr. Yam was first appointed as a director at our annual general meeting of shareholders on June 22, 2011. Mr. Yam joined Emerson (NYSE: EMR) in 1986 and is currently an advisor to Emerson after he retired as president of Emerson Greater China and chairman of Emerson Electric (China) Holdings Co., Ltd in April 2008. For more than two decades, Mr. Yam played a key role in leading Emerson's investments in China. Mr. Yam holds a bachelors degree in electrical engineering from the University of Hong Kong and an Executive MBA from the University of Chicago. Since June 2010, Mr. Yam has served as a non-executive director of ISG Asia Investment (HK) Ltd. He is also currently an adjunct professor of The Chinese University of Hong Kong's Faculty of Business Administration Department of Management and a member of the College Council and the Board of Governors of the Centennial College, Hong Kong. Mr. Yam was previously a member of the Suzhou Industrial Park International Advisory Committee from 2001 to 2008, a director of the Executive Committee of Foreign Investment Companies in Beijing from 2003 to 2008, a non-executive director of Sun Life Hong Kong Limited and affiliates from 2003 to 2010 and a member of the Board of Directors of the Hong Kong Science & Technology Parks Corporation from 2001 to

2006, and he also previously served as a vice-president of the American Chamber of Commerce in Hong Kong, a visiting professor of Nanjing University's School of Business and a visiting professor of Jiangmen Polytechnic in China. His term as director expires in 2014.

Compensation

For the year ended December 31, 2011, we and our subsidiaries provided our twelve directors and executive officers as a group aggregate remuneration, pension contributions, allowances and other benefits of approximately $3,835,639 including the non-cash compensation of $1,464,528 associated with the equity compensation plans.

In 2011, we and our subsidiaries incurred $59,025 in costs to provide pension, retirement or similar benefits to our respective officers and directors pursuant to our retirement plan and pension plan.

Employment Agreements

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

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

Board Practices

Our board of directors consists of seven members divided into three classes, the terms of which expire on the basis of one-third of the board retiring by rotation at each annual general meeting of shareholders. Each director holds office until his or her term expires as aforesaid, and he or she is then subject to re-election as a director at the respective annual general meeting for a further term which will subsequently expire on the same basis. Executive officers serve at the discretion of the board of directors. Our executive officers have, on average, 20 years of service with us. Two executive directors and four non-executive directors receive a cash fee of $15,000 per year, plus an additional $4,000 for each board meeting attended. Non-executive directors who are members of the audit committee also receive a cash fee of $5,000 per year.

Committees of the Board of Directors

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

Benecke are the members of the executive committee.

We have a separately - designated standing compensation committee, consisting of the independent directors. The primary function of the compensation committee is to approve compensation packages for each of the Company's executive officers. The compensation committee held one meeting in the fiscal year ended December 31, 2011.

We have an executive sessions committee, consisting of the independent directors. The executive sessions committee held at least two meetings in the fiscal year ended December 31, 2011.

Code of Ethics

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

Employees

As of December 31, 2011, we had 444 employees worldwide, the majority of whom work in management, technical or administrative positions. We consider our employee relationships to be satisfactory. Our employees are not represented by labor unions and we are not aware of any attempts to organize our employees.

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

Function	Employees	Independent Contractors	Total
Content Development	25	407	432
Corporate Human Resources & Administration	48	66	114
Corporate Marketing	5	20	25
Community Development	62	93	155
Sales	78	2,405	2,483
Information System Department (includes CIO office)	77	75	152
Corporate Accounts	66	63	129
Office of the CEO, COO	18	0	18
Legal and Group Secretarial	6	1	7
Conference & Trade Show Services + China Edu	59	85	144
Total	444	3,215	3,659

Share Ownership

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

Equity Compensation Plans

On December 30, 1999, we established The Global Sources Employee Equity Compensation Trust (the "Trust") for the purpose of administering monies and other assets contributed to the Trust for the establishment of equity compensation and other benefit plans, including The Global Sources Employee Equity Compensation Plan ("ECP") Numbers IV to VII described below. The Trust is administered by Appleby Services (Bermuda) Ltd. (previously known as "Harrington Trust Limited" and then as "Appleby Trust (Bermuda) Ltd.") (the "Trustee"). The number of shares that may be sold pursuant to these plans is limited to the number of our shares held by the Trust. Following our takeover of Trade Media on April 14, 2000, the Trade Media shares were exchanged for our common shares. These Trade Media shares currently represent our common shares. As of February 29, 2012, the Trustee holds 925,681 of our common shares, consisting of common shares held in the Trust, as well as already vested common shares under the plans which are held in trust by the Trustee for various grantees who have elected to utilize the trust services of the Trustee for such purpose. The Trustee has informed us that it does not intend to acquire any additional shares. In exercising its powers, including the voting of securities held in the Trust, the Trustee may be directed by a plan committee, selected by the board of directors of one of our wholly-owned subsidiaries.

Pursuant to a Declaration of Trust dated November 28, 2006 by the Trustee, “The Global Sources Equity Compensation Trust 2007” (“2007 Trust”) was established. The 2007 Trust is administered by Appleby Services (Bermuda) Ltd. (the “2007 Trustee”) as trustee. The purpose of the 2007 Trust is to administer shares contributed by us to the 2007 Trust from time to time in connection with providing equity compensation benefits under The Global Sources Equity Compensation (2007) Master Plan described below (“ECP 2007 Master Plan”). As of February 29, 2012, the 2007 Trustee does not hold any of our common shares in the 2007 Trust, but the 2007 Trustee holds 75,072 already vested common shares under the ECP 2007 Master Plan which are held in trust by the 2007 Trustee for various grantees who have elected to utilize the trust services of the 2007 Trustee for such purpose. In exercising its powers under the 2007 Trust, the 2007 Trustee may be directed by a plan committee to be constituted and appointed by us. The plan committee (“ECP 2007 Plan Committee”) was constituted and appointed by the Board of Directors on February 15, 2007.

Global Sources Equity Compensation Plans Numbers IV and V

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

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

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

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

The Equity Compensation Plan committee first approved the awards of common shares under ECP IV in January 2001 and approved additional awards of common shares under ECP IV on various dates during the year 2001. The Equity Compensation Plan committee first approved the awards of common shares under ECP V in January 2001 and approved additional awards of common shares under ECP V on various subsequent dates.

The non-cash compensation expenses associated with the above awards under ECP IV and ECP V of approximately $2,981,000 and $3,537,000, respectively, are recognized over the five-year vesting term of the respective awards.

Global Sources Equity Compensation Plan VI

Eligible employees, directors, consultants, advisors and independent contractors under ECP VI are awarded, after their resignation or retirement from their respective services, a one-time grant of our common shares, the number of which are determined by the plan committee.

Entitlement of the employees, directors, consultants, advisors and independent contractors to these common shares, is subject to non-compete and vesting terms. There is no forfeiture provision other than pursuant to the non-compete terms.

The Equity Compensation Plan committee approved ECP VI on March 13, 2001 and first approved the awards of common shares under ECP VI in May 2001. The Equity Compensation Plan Committee approved additional awards of common shares under ECP VI on various subsequent dates.

The Company recognizes the intangible asset relating to the non-compete provisions of each of the above awards at fair value of the respective award. The intangible asset is amortized over the non-compete period on a straight-line basis.

During the year ended December 31, 2011, the Company recorded an expense of approximately $4,000 relating to amortization of intangible assets associated with the awards under ECP VI.

Global Sources Equity Compensation Plan VII

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

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

The Equity Compensation Plan committee first approved the awards of common shares under ECP VII in January 2002 and approved additional awards of common shares under ECP VII on various subsequent dates.

The non-cash compensation expenses associated with the above awards under ECP VII of approximately $11,667,000 are recognized over the six-year vesting term of the respective awards.

The Global Sources Equity Compensation (2007) Master Plan

The ECP 2007 Master Plan was approved by our shareholders on May 8, 2006. The ECP 2007 Master Plan commenced with effect on January 1, 2007 and, unless terminated earlier by our Board of Directors, will expire on December 31, 2012. Our employees, directors and consultants and the employees, directors and consultants of our subsidiaries and of our and our subsidiaries' independent contractors ("Team Members"), are eligible to be awarded grants of our common shares under the ECP 2007 Master Plan. The grantees and the number of shares to be awarded, and the vesting rules and other terms and conditions, are to be as determined by the ECP 2007 Plan Committee, who are authorized under the ECP 2007 Master Plan to issue supplementary or subsidiary documents to set out and evidence such vesting rules and other terms and conditions. The total number of shares to be issued under the ECP 2007 Master Plan is subject to a limit of 3,000,000 common shares.

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

An amended version of the ECP 2007 Master Plan, known as "The Global Sources Equity Compensation (2007) Master Plan (amended effective as of January 1, 2012)" ("ECP 2007 Master Plan (Amended)"), has been approved by our Board of Directors with effect from January 1, 2012, in order to expressly clarify that, as an alternative to our common shares being first issued to the 2007 Trustee upon an award being made under the plan (for the 2007 Trustee to hold in trust pending vesting) and then subsequently transferred by the 2007 Trustee to the respective grantee upon vesting, our common shares may instead be issued directly to the respective grantee at the time of vesting.

On March 6, 2007, the Plan Committee approved and issued "The Global Sources Share Grant Award Plan" as a supplementary or subsidiary document to the ECP 2007 Master Plan. Under the plan, the ECP 2007 Plan Committee is to determine who amongst eligible Team Members will be granted awards of shares and the number of shares to be awarded to them, and to determine the vesting schedule for such awards. The plan commenced with effect on March 6, 2007, and will terminate upon the expiration or termination of the ECP 2007 Master Plan, or upon the liquidation of the Company, or upon termination by the ECP 2007 Plan Committee, whichever is the earliest to occur.

The ECP 2007 Plan Committee approved awards of common shares under the plan on various dates. The non-cash compensation expenses as of December 31, 2011, associated with the above awards under the plan of approximately $16,315,000 are recognized over the six-year vesting term of the award.

On March 6, 2007, the Plan Committee approved and issued "The Global Sources Retention Share Grant Plan" as a supplementary or subsidiary document to the ECP 2007 Master Plan. Persons eligible to receive grants under the plan are persons who have been Team Members for at least five years, who retire "in good standing" (as determined by the ECP 2007 Plan Committee), and who would otherwise have their unvested shares (under any applicable equity compensation plans) forfeited upon retirement. The ECP 2007 Plan Committee is to determine who amongst eligible persons will be granted awards of common shares. The number of common shares to be awarded to such grantees are calculated according to a formula defined in the plan, and will vest in equal installments over a period of five years after retirement, subject to certain non-compete terms and the grantees remaining "in good standing".

There is no forfeiture provision other than pursuant to terms relating to non-compete being “in good standing”, not doing anything prejudicial to the company or other reasons as determined by the ECP 2007 Plan Committee. The plan commenced with effect on March 6, 2007, and will terminate upon the expiration or termination of the ECP 2007 Master Plan, or upon the liquidation of the Company, or upon termination by the ECP 2007 Plan Committee, whichever is the earliest to occur. The ECP 2007 Plan Committee approved awards of common shares under the plan on various dates. The Company recognizes intangible asset relating to the non-compete provisions of each of the above awards at the fair value of the respective award. The intangible asset is amortized over the non-compete period on a straight-line basis.

During the year ended December 31, 2011, the Company recorded an expense related to amortization of intangible assets of approximately of $764,000 associated with the awards under The Global Sources Retention Share Grant Plan.

On April 24, 2009, the Plan Committee approved and issued “The Global Sources Directors Share Grant Award Plan” as a supplementary or subsidiary document to the ECP 2007 Master Plan. Persons eligible to receive grants under the plan are directors of the Company. Under the plan, the ECP 2007 Plan Committee is to determine who amongst the directors of the Company will be granted awards of shares and the number of shares to be awarded to them. Any shares awarded will not vest immediately, but only at the end of four years after such effective date as may be specified by the Plan Committee (or in accordance with such other vesting schedule as may be determined by the Plan Committee). The plan commenced with effect on April 24, 2009, and will terminate upon the expiration or termination of the ECP 2007 Master Plan, or upon the liquidation of the Company, or upon termination by the ECP 2007 Plan Committee, whichever is the earliest to occur. The ECP 2007 Plan Committee first approved an award under the plan in June 2009, and approved additional awards under the plan on various subsequent dates. The non-cash compensation expenses as of December 31, 2011, associated with the above awards under the plan of approximately $522,000 are recognized over the four-year vesting term of the award.

The Plan Committee has approved and issued “The Global Sources Retention Share Grant Plan II”, effective as of January 1, 2012, as a supplementary or subsidiary document to the ECP 2007 Master Plan (Amended). The plan’s provisions are essentially similar to those of The Global Sources Retention Share Grant Plan, except that it expressly clarifies that, as an alternative to our common shares being first issued to the 2007 Trustee upon an award being made under the plan (for the 2007 Trustee to hold in trust pending vesting) and then subsequently transferred by the 2007 Trustee to the respective grantee upon vesting, our common shares may instead be issued directly to the respective grantee at the time of vesting.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table sets forth information about those persons who hold more than 5% of our outstanding common shares and the share ownership of our directors and officers as of February 29, 2012. The information is based upon our knowledge of the share ownership of such persons on February 29, 2012.

	Common Shares Beneficially Owned		
Name of Beneficial Owner	Shares	Percentage **	
Merle Allan Hinrichs	14,686,997	43.22	%

Spenser Au	*	*
Connie Lai	*	*
Brent Barnes	*	*
Peter Zapf	*	*
Sarah Benecke	*	*
Eddie Heng Teng Hua	*	*
David F Jones	*	*

Name of Beneficial Owner	Common Shares Beneficially Owned Shares	Percentage **	
Roderick E Chalmers	*	*	
James A Watkins	*	*	
Yam Kam Hon Peter	*	*	
All officers and directors as a group (11 persons)	15,128,235	44.52	%

* Indicates beneficial ownership of less than 1%.

** The percentage figures are calculated based on our total outstanding common shares (and do not take into account that portion of our total issued common shares which are held as treasury shares).

As of February 29, 2012, we believe that approximately 11,871,509 of our shares or approximately 34.94% of our total outstanding common shares were beneficially owned by U.S. holders and there were 623 shareholders of record in the U.S. (excluding any U.S. holders who may be holding our shares through brokerage firms).

Mr. Merle Allan Hinrichs, our Executive Chairman, beneficially owns approximately 43.22% of our common shares as of February 29, 2012, and is deemed our controlling shareholder.

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

Related Party Transactions

Based upon the information in Amendment No. 5 to the Schedule 13D filed with the SEC on December 3, 2009, Hung Lay Si Co. Ltd. (“Hung Lay Si”) is a company organized under the laws of the Cayman Islands. It is wholly owned by the Quan Gung 1986 Trust (the “1986 Trust”), a trust formed under the laws of the Island of Jersey. The trustee of the 1986 Trust is Hill Street Trustees Limited, an Island of Jersey limited liability company whose shares are wholly owned by RBC Trust Company (International) Limited (“RBCTCL”), a company organized under the laws of the Island of Jersey. RBCTCL is wholly owned by RBC Holdings (Channel Islands) Limited (“RBCHL”), a company organized under the laws of the Island of Guernsey. Prior to February 27, 2009, Hill Street Trustees Limited was wholly owned by the partners of the Mourant Group, which is a firm based in the Island of Jersey that provides trust administrative services. Each of the 1986 Trust, Hung Lay Si, Hill Street Trustees Limited, RBCTCL and RBCHL may be deemed to have been a beneficial owner of our common shares that were directly owned by Hung Lay Si under applicable SEC rules and regulations.

Based on the information in Amendment No. 7 to the Schedule 13D filed with the SEC on April 22, 2011, during the period from January 19, 2011 to April 15, 2011, Hung Lay Si Co., Ltd transferred all of the 17% common shares owned by it to four separate unaffiliated entities. Prior thereto, Mr. Hinrichs repaid in full a debt that was owing to Hung Lay Si and upon such payment Hung Lay Si's shared dispositive power over the common shares owned by Mr. Hinrichs ceased. As a result Mr. Hinrich owns the common shares free and clear and as of April 15, 2011, Hung Lay Si does not have sole or shared voting or dispositive power over any common shares.

The disclosure below pertained to transactions with Hung Lay Si group of companies from January 1, 2011 to April 15, 2011.

In 2011, we leased approximately 95,429 square feet of our office facilities from companies related to Hung Lay Si Co., Ltd, one of our former major shareholders, under cancelable and non-cancelable operating leases and incur building maintenance services fees to those affiliated companies. For the period of January 1, 2011 to April 15, 2011, we incurred rental, building services expenses and reimbursement of membership fees for use of club memberships of $405,147. We also receive investment consultancy services from our affiliated companies. The expenses incurred for these services for the period January 1, 2011 to April 15, 2011 totaled $14,583.

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

ITEM 8. FINANCIAL INFORMATION