

GLOBAL SOURCES LTD /BERMUDA

Form 20-F

April 24, 2015

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

FORM 20-F

(Mark One)

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

OR

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2014.

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 for the period from to of 1934

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)

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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 Select 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:

29,906,227 common shares, \$0.01 par value, outstanding as of December 31, 2014.

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

Yes No

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

Yes No

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

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

Yes No

Indicate by check mark whether the registrant 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 No

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

| | | |
|-------------------------|---|-----------------------|
| Large accelerated filer | Accelerated filer <input checked="" type="checkbox"/> | Non-accelerated filer |
|-------------------------|---|-----------------------|

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

| | | |
|-----------------------------------|-------------------------------------|-------|
| International Financial Reporting | <input checked="" type="checkbox"/> | Other |
|-----------------------------------|-------------------------------------|-------|

U.S.
GAAP

Standards as
issued by the
International
Accounting
Standards
Board

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 | Item |
|------|------|
| 17 | 18 |

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

Yes No x

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

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

Yes No

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FORWARD-LOOKING STATEMENTS

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

These risks include:

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

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

In this Annual Report on Form 20-F, except as specified otherwise or unless the context requires otherwise, “we”, “our”, “us”, the “Company”, the “Group” 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.

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.

All financial information contained herein is expressed in United States Dollars (“U.S. Dollars” or “USD”), unless otherwise stated.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

– (Not applicable)

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

– (Not applicable)

ITEM 3. KEY INFORMATION

Selected Financial Data

The following tables present the selected historical financial data of our company as of and for each of the years in the five-year period ended December 31, 2014. The selected financial information as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 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, 2014, 2013 and 2012 and selected consolidated balance sheet data as of December 31, 2014 and 2013 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this document. The consolidated statement of income data for the years ended December 31, 2011 and 2010, and the selected consolidated balance sheet data as of December 31, 2012, 2011 and 2010 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, 2014, 2013, 2012, 2011 and 2010 have been prepared and presented in accordance with IFRS, as issued by the International Accounting Standards Board.

| | Year ended December 31, | | | | |
|---|-------------------------|-----------|-----------|-----------|-----------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| (In U.S. Dollars Thousands, Except Number of Shares and per Share Data) | | | | | |
| Income Statement Data: | | | | | |
| Revenue | | | | | |
| Online and other media services | \$93,252 | \$104,629 | \$136,101 | \$141,475 | \$122,203 |
| Exhibitions | 97,017 | 85,636 | 88,782 | 77,973 | 69,450 |
| Miscellaneous | 7,943 | 7,257 | 6,857 | 5,617 | 4,996 |
| | 198,212 | 197,522 | 231,740 | 225,065 | 196,649 |
| Operating Expenses: | | | | | |
| Sales (Note 1) | 60,805 | 61,958 | 80,354 | 81,363 | 71,923 |

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| | | | | | |
|---|------------|------------|------------|------------|------------|
| Event production | 25,080 | 24,403 | 26,250 | 24,637 | 21,875 |
| Community and content (Note 1) | 26,843 | 27,481 | 32,696 | 34,078 | 31,923 |
| General and administrative (Note 1) | 52,631 | 50,272 | 44,281 | 40,660 | 33,463 |
| Information and technology (Note 1) | 12,683 | 12,729 | 13,188 | 12,607 | 11,839 |
| Total Operating Expenses | 178,042 | 176,843 | 196,769 | 193,345 | 171,023 |
| Profit on sale of property | - | 15,410 | - | - | - |
| Profit from Operations | 20,170 | 36,089 | 34,971 | 31,720 | 25,626 |
| Interest income | 1,314 | 1,472 | 1,044 | 360 | 510 |
| Interest expenses | (186) | - | - | - | - |
| Gain on sale of available-for-sale securities | 11 | 64 | - | - | 1,223 |
| Share of loss of associate | - | - | (24) | - | - |
| Impairment loss on investment in associate | - | - | (302) | - | - |
| Profit before income taxes | 21,309 | 37,625 | 35,689 | 32,080 | 27,359 |
| Income tax expense | (2,468) | (4,753) | (2,744) | (1,613) | (1,117) |
| Net profit | 18,841 | 32,872 | 32,945 | 30,467 | 26,242 |
| Net profit attributable to non-controlling interests | (511) | (137) | (739) | (991) | (991) |
| Net profit attributable to the Company's shareholders.. | \$18,330 | \$32,735 | \$32,206 | \$29,476 | \$25,251 |
| Basic net profit per share attributable to the Company's shareholders | \$0.57 | \$0.95 | \$0.95 | \$0.87 | \$0.63 |
| Diluted net profit per share attributable to the Company's shareholders | \$0.55 | \$0.91 | \$0.90 | \$0.83 | \$0.61 |
| Cash dividends declared per share | - | - | - | - | - |
| Shares used in basic net profit per share calculations | 31,953,136 | 34,426,468 | 34,017,730 | 33,742,648 | 40,283,874 |
| Shares used in diluted net profit per share calculations | 33,482,371 | 36,068,326 | 35,742,495 | 35,385,218 | 41,693,616 |

| | As at December 31, | | | | |
|---|--------------------|------------|------------|------------|------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| (In U.S. Dollars Thousands Except Number of Shares) | | | | | |
| Balance Sheet Data: | | | | | |
| Cash and cash equivalents | \$90,223 | \$137,359 | \$104,631 | \$81,903 | \$101,298 |
| Term deposits with the banks | \$4,285 | \$106 | \$4,184 | \$2,764 | \$1,411 |
| Financial assets, available-for-sale | \$3,952 | \$6,367 | \$7,472 | \$13,250 | \$- |
| Total assets (Note 2) | \$314,011 | \$339,097 | \$311,169 | \$276,330 | \$225,703 |
| Net assets | \$185,074 | \$213,562 | \$177,312 | \$138,554 | \$102,460 |
| Long-term debt, less current portion | \$11,702 | \$10,251 | \$15,152 | \$9,800 | \$8,107 |
| Total Company shareholders' equity (Note 2) | \$171,606 | \$203,980 | \$165,920 | \$129,673 | \$94,295 |
| Common share capital | \$529 | \$525 | \$521 | \$518 | \$516 |
| Common shares outstanding (Note 2) | 29,906,227 | 34,485,771 | 34,069,363 | 33,793,948 | 33,573,540 |

(Note Non-cash compensation expenses associated with the employee and non-employee equity compensation plans, including the Global Sources Directors Share Grant Award Plan included under various categories of expenses are approximately as follows: sales expenses: \$409 (2013: \$539; 2012: \$565; 2011: \$737; 2010: \$545), community and content: \$16 (2013: \$43; 2012: \$70; 2011: \$234; 2010: \$284), general and administrative: \$1,215 (2013: \$1,340; 2012: \$1,524; 2011: \$1,528; 2010: \$1,089), and information and technology expenses: \$217 (2013: \$248; 2012: \$250; 2011: \$278; 2010: \$269).

(Note 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. On 11 March 2014, the Board of Directors of the Company authorized a program to repurchase 5,000,000 of our common shares by tender offer at purchase price of \$10.00 per share. Accordingly, in June 2014, we completed the repurchase and paid a total cash consideration of \$50,000. 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 (“SEC”) 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.

Industry Risks

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 84% of our total revenues in 2014. 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. There is also increasing competition from

alternative cheaper emerging supply markets in the Asia-Pacific region, such as Vietnam and Indonesia. If products from mainland China become less competitive on price, buyers may shift their production sources or supply sources to other cheaper alternative markets or even bring their production in-house or to their own home countries, which would likely in turn 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.

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, especially for small and medium enterprises in the Greater China region;
 - 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 fluctuations in oil prices.

In 2014, we derived approximately 95% 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.

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, particularly in the online space, which is becoming increasingly crowded with new market participants. 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 the 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.

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.

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 such companies' 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.

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 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 strengthened during the last few years against the U.S. Dollar; however, in 2014 the RMB slightly weakened against the U.S. Dollar. Although we bill in RMB and have expenses in RMB in mainland China, if the RMB appreciates against the U.S. Dollar, 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 operations may be adversely affected.

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

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.

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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, or data privacy issues, may deter the adoption or use of our online products and services.

Our business and financial success depends on our reputation and our customers' and users' confidence in the security of our products and services, our anti-fraud measures and our data privacy policies and practices. 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 adopt or use our products and services, thereby adversely affecting our revenues. We may also be required to incur additional costs to protect against security breaches and fraud, or to alleviate problems caused thereby. In addition, increasing public awareness and concerns about data use and collection practices and other privacy issues could deter the adoption or use of our online products and services, thereby adversely affecting our revenues.

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

In the past 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 and this may have an adverse effect on our competitive position.

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 business and results of operations.

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 41% of our revenue from Internet-related services in 2014 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.

Outbreaks of H1N1, avian influenza, Severe Acute Respiratory Syndrome ("SARS"), Ebola, norovirus 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, Ebola, norovirus 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.

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.

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, it could affect the relative proportions of our online, print and trade show revenue mix, our overall margins could be adversely impacted and 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 trade shows 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.

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

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

We may 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 our goodwill and intangible assets as of December 31, 2014 were approximately \$11.5 million and \$26.3 million, respectively. During the year ended December 31, 2014, we recorded an impairment charge of \$2.2 million on intangible assets relating to one of our investments relating to our FashionSZshow exhibition business. 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.

There are various factors that could adversely affect our ability to operate our trade show business successfully and profitably.

We expect that a significant portion of our future revenues will continue to be derived from our trade show business. Our trade shows 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.

Our trade shows may continue to be expanded into new categories and locations and we are uncertain as to our ability to attract and retain the quality and quantity of exhibitors and buyers that would enable such new trade show initiatives to be successful.

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 and/or to cope with the scope or speed of expansion of our trade shows, our management, personnel and other resources may be strained and/or we may have to continue hiring additional personnel and incurring additional expenditures. In addition, our new or expanded trade show initiatives may erode the customer base of our other pre-existing trade shows. 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.

From time to time, we may also discontinue our trade shows in a particular location, due to a reduction of exhibitor-interest and/or buyer-demand resulting from changes in the market conditions associated with that location or due to other factors such as those described above and below. Any such discontinuation could have an adverse impact on our overall trade show revenues.

We rely heavily on cooperation with various government bodies, trade associations and other relevant parties for marketing and selling booths to exhibitors. 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 trade show business also requires 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, Ebola, norovirus and other similar epidemics;
- civil unrest, 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;
- we may not always be able to obtain the required trade show licenses (where applicable), 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 sites 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.

Our trade shows in Hong Kong face various competitive threats that may adversely affect their success, profitability and viability.

There are substantial and long-established trade shows in Hong Kong and southern mainland China which compete with our trade shows 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, which 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-subsidized statutory body and the largest trade show organizer in Hong Kong, competes aggressively with our trade shows 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 and trade associations) 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 trade shows 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 competitiveness and viability of our trade show business may be jeopardized.

In addition, in June 2012, the Hong Kong government adopted a competition law that prohibits any agreement or concerted practice amongst undertakings, or any conduct by an undertaking with a substantial degree of market power, that has the object or effect of preventing, distorting or restricting competition in Hong Kong. This competition law would apply to private enterprises, but at the same time all Hong Kong statutory bodies (such as the HKTDC) would be excluded from the application of the competition law, unless Hong Kong's Chief Executive-in-Council specifies, through subsequent regulations, which statutory bodies are not to be exempted. During the Hong Kong Legislative Council's debate concerning this law, the Hong Kong government indicated that the HKTDC would not be one of the "non-exempted" statutory bodies covered by any such regulation to be made by Hong Kong's Chief Executive-in-Council. If so, this means that while we will have to comply with the Hong Kong competition law regime, 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.

Any re-branding of our media or re-organization of product verticals covered by our media could lead to a loss of customer recognition, affinity and loyalty, in which event our business could be adversely affected.

Customer recognition, affinity and loyalty associated with our brands and the specialized product verticals covered by our various media are important to the success of our business. From time to time, we may re-brand some of our media and/or re-organize some of the product verticals covered by our various media. This could lead to a loss of the customer recognition, affinity and loyalty associated with the affected brands and/or product verticals concerned, in which event our business could be adversely affected.

The loss of one or more of our executive officers 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 senior management personnel of our acquired subsidiaries, 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, or to successfully manage increases in personnel headcount required for business expansion purposes, 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 business 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.

In addition, any increases in personnel headcount required for business expansion purposes may strain our management and other resources and involve significant costs. If we are unable or fail to manage such issues effectively, it could adversely affect our operations and financial condition.

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. Eight main sales representative companies in mainland China were responsible for approximately 71% of our total revenues for the year ended December 31, 2014. These independent sales representatives collect cash from our customers on our behalf and deposit such collections into designated bank accounts owned by them whereby, for managing the credit risks, our senior employees are the authorized signatories to withdraw cash from such bank accounts in China. 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. In addition, although we have long-standing relationships with a majority of these independent sales representatives, for whom there is no recent history of default in transferring client payments received by them to us, if any of these sales representatives go bankrupt or otherwise fail to transfer such moneys to our own bank accounts, we could be exposed to credit risk.

The value of our commercial properties in mainland China, Hong Kong and Singapore 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 properties in Hong Kong and Shanghai, and in February 2014 we acquired a commercial property in Singapore.

The total carrying amount of our owned Shenzhen, Shanghai, Hong Kong and Singapore properties was approximately \$142.18 million, and their total market value was approximately \$242.52 million as of December 31, 2014. 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

owned 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.

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 key components 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.

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 have various 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.

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 reviews 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 reviews and any related litigation could be materially different from our historical income tax provisions and accruals. The results of a tax review 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) and data center facilities in Hong Kong. Interruptions to these service providers' 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 service providers 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.

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 any 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 any 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 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 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 or acquire effective Internet domain names could adversely impact our online business.

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. Furthermore, if we are unable to acquire the preferred or appropriate Internet domain names that we may wish to use for any new or additional websites that we may wish to launch from time to time (for example, if such Internet domain names are already registered by third parties), the timing, scale or effectiveness of our launch efforts could be adversely impacted.

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.

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 on our accounts receivable 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 receivable. We estimate the collectability of our accounts receivable based on our analysis of the accounts receivable, historical bad debts, customer creditworthiness and current economic trends. We continuously monitor collections from our customers and maintain adequate 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.

Investment Risks

Our quarterly operating results may have seasonal fluctuations and as a result, we may fail to meet analyst, investor and/or 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 2014, approximately 29% of our revenue was generated during the second quarter and approximately 32% during the fourth quarter. The first quarter accounted for approximately 17% of our revenue in 2014 and the third quarter accounted for approximately 22% of our revenue in 2014. 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/or shareholder expectations.

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 28, 2015, we had approximately 968 registered shareholders, and a total of 30,218,703 issued and outstanding common shares of par value \$0.01 each, out of which approximately 17,639,899 issued and outstanding common shares were tradable on the NASDAQ Global Select 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 28, 2015, we had 30,218,703 common shares issued and outstanding, out of which at least 14,445,169 common shares issued and outstanding are beneficially owned by people who may be deemed “affiliates”, as defined by Rule 405 of the Act. Of these 14,445,169 shares, 12,288,938 shares are “restricted securities” which can be resold in the public market only if registered with the SEC 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.

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

As of February 28, 2015, Mr. Merle Allan Hinrich beneficially owned approximately 41.60% of our total issued and outstanding common shares, and may be deemed to be the beneficial owner of up to 45.87% of our total issued and outstanding common shares (as described in Item 7 below). Mr. Hinrich is also our Executive Chairman. Accordingly, Mr. Hinrich 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 interests of our major shareholder may conflict or be perceived as being in conflict with the interests 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 judgments in the courts of the United States against our Company 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 Supreme Court of Bermuda as a debt against our Company, subject to certain conditions and exceptions.

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

Our bye-laws contain provisions that may have the effect of delaying, deferring or preventing a change in control or the displacement of our management. These provisions may discourage proxy contests and make it more difficult for

the shareholders to elect directors and take other corporate actions. These provisions may also limit the price that investors might be willing to pay in the future for our common shares. These provisions include:

- providing for a staggered Board of Directors, so that it would take three successive annual general meetings to replace all directors;
 - requiring the approval of 100% of shareholders for shareholder action by written consent;
- establishing advance notice requirements for submitting nominations for election to the Board of Directors and for proposing matters that may be acted upon by shareholders at a general meeting; and
- with respect to engaging in business combinations with, or proposed by or on behalf of, any interested shareholder or its affiliate, requiring the approval of not less than 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 the 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 (the “Exchange Act”); 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 profit sharing, employee share ownership or other employee benefit plan, or any of the shareholders of Trade Media Holdings Limited that received our shares pursuant to a share exchange agreement 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.

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 with the SEC, and we and our directors and executive officers are not subject to certain disclosure obligations that would otherwise be required if we were a U.S. domestic issuer.

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.

As a foreign private issuer, we are permitted to, and did, follow certain home country corporate governance practices instead of otherwise applicable Nasdaq Global Select Market requirements, which may result in less protection than is accorded to investors under rules applicable to domestic U.S. issuers.

As a foreign private issuer, we are permitted to, and did, follow certain home country corporate governance practices instead of those otherwise required under the applicable rules of the Nasdaq Global Select Market for domestic U.S. issuers, provided that we disclose the requirements we are not following and describe the home country practices we are following. From time to time, we have followed and may follow home country practice in Bermuda in lieu of Nasdaq Global Select Market rules requiring shareholders to approve equity compensation plans and material revisions thereto. Under the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”), there is no general requirement for equity compensation plans of a Bermuda company to be approved by way of a shareholders’ resolution, which is different than the requirements of the Nasdaq Global Select Market listing standards. As such, while we may choose to seek shareholder approval for any equity compensation plans, our memorandum of association and bye-laws do not require any such approvals. See “Item

16.G – Corporate Governance.” We may in the future elect to follow home country practices in Bermuda with regard to other matters. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on the Nasdaq Global Select Market may provide less protection to you than what is accorded to investors under the applicable rules of the Nasdaq Global Select Market applicable to domestic U.S. issuers.

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 the 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 jurisdictions in which we operate.

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 internal 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.

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 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.

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 marketplace 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 years ended December 31, 2014, 2013 and 2012 amounted to \$18.7 million, \$27.0 million and \$1.4 million, respectively. For 2014, such expenditures were incurred mainly for purchase of office premises in Singapore, computers, purchased software, office equipment, leasehold improvements and software development. For 2013, such expenditures were incurred mainly for purchase of office premises in Hong Kong, computers, software, office equipment and leasehold improvements. For 2012, such expenditures were incurred mainly for purchase of computers, software, office equipment and leasehold improvements. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed and written off during the years ended December 31, 2014, 2013 and 2012 amounted to \$0.06 million, \$12.6 million and \$0.048 million, respectively. Disposals of our commercial properties in 2013 have been discussed under the heading "Properties" in this Item 4. In January 2014, we entered into an agreement for the purchase of office space in Singapore which was completed in February 2014. This transaction has been discussed in detail under the heading "Properties" in this Item 4.

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 find products and suppliers, and to stay current with supply market conditions. 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, magazines and trade shows – are supported by our advertising creative services 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.

As of December 31, 2014, more than 333,000 suppliers were listed on GlobalSources.com and we serve a buyer community of over 1,000,000 active members in more than 200 countries and territories.

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 strong and growing group of businesses in the China domestic market; and an extensive presence in Greater China. 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, | | |
|---------------------------------|-----------------------------|-----------|-----------|
| | 2014 | 2013 | 2012 |
| | (In U.S. Dollars Thousands) | | |
| Revenues | | | |
| Online and other media services | \$93,252 | \$104,629 | \$136,101 |
| Exhibitions | 97,017 | 85,636 | 88,782 |
| Miscellaneous | 7,943 | 7,257 | 6,857 |
| | \$198,212 | \$197,522 | \$231,740 |

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

| | Year Ended December 31, | | |
|-----------------|-----------------------------|-----------|-----------|
| | 2014 | 2013 | 2012 |
| | (In U.S. Dollars Thousands) | | |
| Revenues | | | |
| China | \$166,356 | \$163,107 | \$189,648 |
| Rest of Asia | 27,068 | 29,891 | 35,603 |
| United States | 4,334 | 4,031 | 5,706 |
| Europe | 385 | 365 | 531 |
| Others | 69 | 128 | 252 |
| | \$198,212 | \$197,522 | \$231,740 |

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at approximately 84% of total revenue during 2014. Our revenue is derived from two primary sources – Online and other media services, which represented approximately 47% of total revenue in 2014 and Exhibitions, which represented approximately 49% of total revenue in 2014.

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 GlobalSources.com. We also offer banner ads and publish digital magazines.
- **Other Media Services** – We publish printed 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 magazines 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 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 plays 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, magazines 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 Requests For Information ("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 publishing and hosting a supplier's website and product catalog, and from advertising. Compared to other media, 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 many buyers and is something that cannot be accomplished by online or print media.

Trade 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 can also stimulate a 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 face-to-face 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 GlobalSources.com, our online marketplace and primary source of online revenue, buyers are able to identify, shortlist 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 GlobalSources.com by searching among, and/or making inquiries to, more than 333,000 suppliers.

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.

Trade Publications

We publish various industry-specific trade magazines. Our trade magazines come in print and digital formats and contain paid advertisements from suppliers, as well as our independent editorial content, which includes market reports, advice for buyers, and surveys.

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. Customer service officers and copywriters 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.

Media for Electronics Engineers and Executives in Asia, and Media for Buyers and Executives in China

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 12 online and 6 print media, trade shows for the semiconductor, optoelectronics, fashion and machinery sectors plus several other conferences and events.

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 small, 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 strategy is built around the following four key foundations: to strengthen our position in the core, export-focused business; new product and market development; expansion in China's domestic B2B market; and acquisitions, joint ventures, and alliances.

- Strengthen position in core, export focused business. Our objective is to leverage the combined strengths of GlobalSources.com and our trade shows.
- New product and market development. Our plans include the launch of new verticals and entries into new geographies.

- Expansion in China's domestic B2B market. We have more than a dozen individual media properties serving this market and plans include further development of these businesses and expansion into new verticals.
- Acquisitions, joint ventures and/or alliances. We are focused on complementary businesses, technologies and products that will help us maintain or achieve market leading positions in particular niche markets.

Products & Services

Media for Buyers Worldwide

Online Services

GlobalSources.com, our primary online service, is comprised of the following industry sector marketplaces:

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

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 India Products |
| Global Sources Computer Products | Global Sources Korea Products |
| Global Sources Electronic Components | Global Sources LED & Solar Products |
| Global Sources Electronics | Global Sources Machinery & Parts |
| Global Sources Fashion Accessories | Global Sources Medical & Health Products |
| Global Sources Garments & Textiles | Global Sources Mobile Electronics |
| Global Sources Gifts & Premiums | Global Sources Security Products |
| Global Sources Hardware & DIY | Global Sources Sports & Leisure |
| Global Sources Home Products | Global Sources Telecom Products |

Trade Shows

Trade Shows & Exhibitions currently scheduled for 2015. 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 | | Johannesburg |
|------------------------------------|----------------------------|------------------------------------|--------------|
| Show Dates | Apr 11-14, 18-21, 27-30 | Oct 11-14, 18-21, 19-22 & 27-30 | Nov 12-14 |
| Electronics & Components | | | |
| Mobile Electronics | | | |
| CSF: Electronics | | | |
| CSF: Security Products | | | |
| CSF: Gifts & Premiums | | | |
| CSF: Home Products | | | |
| CSF: Fashion Accessories | | | |
| CSF: Garments & Textiles | | | |
| CSF: Underwear & Swimwear | | | |
| CSF: Hardware & Building Materials | | | |
| KSF: Electronics & Components | | | |
| KSF: Mobile & Wireless | | | |
| ISF: Garments & Accessories | | | |
| KSF: Gifts & Premiums | | | |
| Total (by show period) | 12 | 11 | 6 |
| Total (by location) | | 23 | 6 |
| Total shows | | 29 | |

Media for Electronics Engineers and Executives in Asia

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, India and countries in the Association of Southeast Asian Nations (“ASEAN”); websites in traditional and simplified Chinese, and English.

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, and ASEAN countries; websites in traditional and simplified Chinese and English.

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.

DatasheetsChina.com

The world’s largest Integrated Circuits and electronic components online datasheet database, providing engineers and purchasing managers with normalized data for 250 million parts from over 10,000 suppliers worldwide.

Roboticschina.com

Informs designers, implementers and users of manufacturing, medical, agricultural, industrial, consumer and educational robotics systems on all aspects of robotics from systems design to sell and systems integration on the manufacturing floor.

Trade Shows

| Trade Shows | Description |
|--|---|
| International IC China Conference & Exhibition (“IIC-China”) | <p>China’s largest system design event showcasing new integrated circuit technologies and the latest application methodology.</p> <p>IIC-China 2014 Fall Conference and Exhibition was held on September 2-5 in Shenzhen, China with conferences on the Internet of Things, Wearable Electronics, Bluetooth Technology, Smartphone & Tablet Design, Power and other popular technologies.</p> <p>Scheduled to be held September 2-5, 2015 in Shenzhen, China.</p> |
| China International Optoelectronic Exposition (“CIOE”) | <p>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.</p> <p>Scheduled to be held September 2-5, 2015 in Shenzhen, China.</p> |

Magazines

| Magazine | Description |
|--|--|
| EE Times - Asia | <p>Editions published monthly in simplified and traditional Chinese; provides engineering managers and design engineers in China and Taiwan with innovative design ideas and in-depth technology analysis.</p> |
| EDN - Asia | <p>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.</p> |
| Electronics Supply & Manufacturing - China | <p>Published monthly in simplified Chinese; provides corporate, engineering and procurement management in China with strategic business and technology information.</p> |

Media for Buyers and Executives in China

Trade Shows and Exhibitions

Trade Shows / Exhibitions

Description, Scheduled Date and Location

FashionSZshow
(formerly known as China International
Fashion Brand Fair - Shenzhen)

China and international fashion brand fair featuring men's and women's clothing and accessories.

Scheduled to be held July 9 - 11, 2015 in Shenzhen, China.

Shenzhen International Machinery
Manufacturing Industry Exhibition
and its related shows (SIMM)

Includes mold manufacturing technology and products, cutting tools, industrial automation and robotics, and metal forming and metal cutting machine tools, 3D printing, and more.

Scheduled to be held March 30 – April 2, 2015 in Shenzhen, China

Website

Chief Executive China Online

The management portal for China executives in simplified Chinese, with management news, expert blogs and user discussion on leadership, strategy, marketing and human resource management.

Magazine

Global Sources Chief Executive China

A leading journal on management practice for senior executives in China, with a special focus on small and medium enterprises manufacturers. Content includes local cases and expert opinion both globally and from within China on business practices relevant to today's market situation. Published monthly in simplified Chinese.

Customers

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

Suppliers

During 2014, 18,197 suppliers paid us for marketing or advertising services compared to 24,048 during 2013. Approximately 87% of these suppliers were located in mainland China. No individual supplier customer represented more than 1% of our revenue during 2014 and one individual supplier customer represented more than 2% of our revenue during 2013.

Buyers

For our primary group of media, which connect export suppliers in Asia with buyers worldwide, we serve a community of more than 1,000,000 active members in more than 200 countries and territories.

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

Sales and Marketing

Our team member sales organization consists of approximately 1,900 independent representatives in approximately 60 cities worldwide, with more than 40 of these locations in Greater China. We have a staff of approximately 149 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 seasonal as it is recognized in the month in which each show is held. 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. The largest representative sales offices are located in Beijing, Guangzhou, Shanghai, Xi'an, Shenzhen, Hong Kong and Taipei. Our eight sales representative organizations in China accounted for approximately 71% of our total revenue in 2014.

Our marketing strategy leverages our database of more than 333,000 suppliers currently listed on GlobalSources.com. 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. 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 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 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 published EDN-Asia and EDN-China, respectively – from Canon Communications LLC, a subsidiary of United Business Media Limited (LSE: UBM.L), for a cash consideration of approximately US\$4 million. Subsequently, these titles were transferred to eMedia and are now published directly by eMedia, with effect from January 1, 2013.

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 (now known as Fashion SZ Show) 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 approximately US\$17.0 million, comprising an initial cash amount of approximately US\$12.7 million that was paid by us on completion of the transaction, and another additional cash amount of approximately US\$4.3 million was paid in February 2013.

The Shenzhen International Machinery Manufacturing Industry Exhibition and its related shows (the “SIMM Events”) currently consist of two groups of co-located trade shows: (a) the Shenzhen International Machining Automation

Exhibition and the Shenzhen International Metal Forming Machine Tool & Mould Exhibition (collectively, the “Group A SIMM Events”); and (b) the Shenzhen International Metal Cutting Machine Tool Exhibition (the “Group B SIMM Events”). We entered into an agreement in April 2013 (and a subsequent supplementary agreement in September 2013) to acquire a 70% interest in the Group A SIMM Events and a 56% effective interest in the Group B SIMM Events, for a total consideration of approximately \$16.3 million. We paid an initial deposit of \$2.2 million in 2013 and the second instalment of \$10.8 million in 2014. The balance cash consideration of \$3.3 million is payable in several installments over the years 2015 to 2017 upon certain conditions being fulfilled. In addition, there is a potential obligation to pay not more than approximately \$1.2 million for transaction cost.

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 \$25.4 million for years 2014 and 2013 combined in information and technology costs.

As of December 31, 2014, we had 167 team members engaged in technology development, maintenance, software customization and data center operations.

As of December 31, 2014, our online marketplace services are run on the Oracle DBMS release 11g. 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 maintain system back-ups and have a Singapore facility that can be used for disaster recovery purposes.

For the year ended December 31, 2014 our external network had 100% uptime availability.

Where appropriate, our systems use secure socket layer (SSL) to encrypt sensitive communications between browsers and Web servers.

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.

Intellectual Property

Our primary product and supplier content, in addition to our in-house produced editorial content, is held under common law copyright.

We have also developed several proprietary technology applications. We currently do not hold any patents for our proprietary technology applications. In the future, we may apply for patents for these technology applications, where appropriate, but we may not be successful in obtaining such patents, or 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 and trade secret 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, business 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 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, 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. In 2008, we purchased approximately 6,364.50 square meters (gross) of additional office space in this same building, at a price of approximately \$34.4 million. The building is situated on leasehold land. The lease period of the land is 50 years, commencing from year 2002. At the end of the

lease period, the building together with land will revert to the local government authority.

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. The building is situated on leasehold land. The lease period of the land is 50 years, commencing from year 2002. At the end of the lease period, the building together with land will revert to the local government authority. Subsequently, in May 2013 we completed the sale of this property for a total cash consideration of approximately \$19.6 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, China, for a total purchase price of approximately \$12.3 million. The lease period of the land is 55 years, commencing from the year 1991. Subsequently, in March 2013, we completed the sale of a portion of this office space, comprising a total area of 9,431 square feet, together with 3 out of the 6 car parking spaces, for a total cash consideration of approximately \$9.0 million.

In August 2011, we purchased approximately 6,668 square meters of office space in a commercial building known as “City Point” in Shanghai, China, for a total purchase price of approximately \$52.0 million, in order to support our continued business expansion in China. The lease period of the land is 50 years, commencing from year 2006.

In March 2013, we completed the purchase of commercial property on the 21st, 22nd and 23rd floors of the Vita Tower in Hong Kong, China, which we previously leased and are currently continuing to occupy for operational use. This comprises a total of 36,822 square feet of office space, for a total purchase consideration of approximately \$23.6 million. The building is situated on land with a lease period of 75 years expiring in 2023, which is renewable for a further 75 years.

In February 2014, we purchased office space on the 8th floor of No. 1 Sims Lane in Singapore, with a total gross floor area of approximately 22,496.50 square feet, together with 5 appurtenant rooftop accessory lots, for a total purchase consideration of approximately \$13.1 million. We previously leased this office space and are currently continuing to occupy it for our operational use.

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 leased in aggregate approximately 94,953 square feet of executive and administrative offices in mainland China, Hong Kong, the Philippines, Singapore, India and Taiwan during the year ended December 31, 2014. Our aggregate base rental and building management fee expenses for the year ended December 31, 2014 were approximately \$1.2 million.

We lease part of our properties to third parties to generate rental income. During the year ended December 31, 2014, we recorded such rental income of \$6.8 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 offer banner advertising and publish digital magazines.

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.

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

launched China Sourcing Fairs events in Hong Kong, Dubai, Mumbai (which were moved to New Delhi in 2013), India, Johannesburg, South Africa, Miami, USA and Sao Paulo, Brazil and have held many China Sourcing Fairs events since 2004. In August 2014, we launched China Sourcing Fairs events in Jakarta, Indonesia. We host domestic trade shows in China under our Global Sourcing Fairs brand. We also host our International IC China Conferences and Exhibitions in Shenzhen, China each year and host the China International Optoelectronic Expo as well as FashionSZshow (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair) in Shenzhen, China in the third quarter of each year. In March 2014, we held our new Shenzhen International Machinery Manufacturing Industry Exhibition and its related shows (“SIMM machinery shows”) in Shenzhen, China. We did not host China Sourcing Fairs events in Dubai or New Delhi, India in 2014.

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. The Group has open tax assessments with tax authorities at the balance sheet date and 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 and Intangible assets

Upon acquisition, the purchase consideration is allocated between the net tangible and intangible assets other than goodwill on a fair value basis with any excess purchase consideration representing goodwill (refer to note 28 to our consolidated financial statements included under Item 8 of this document). The valuation of the acquired intangible assets represents the estimated economic value in use, using the discounted cash flow method. Acquired intangible assets are capitalized and amortized systematically over their estimated useful lives (refer to note 2.7 to our consolidated financial statements included under Item 8 of this document), subject to impairment review.

Amortization periods are selected based on assessment of the longevity of the brands, the strength and stability of customer relationships, the market positions of the acquired assets and the technological and competitive risks they face. The longevity of these assets is evidenced by their long established and well regarded brands, and their characteristically stable market condition.

The carrying amounts of goodwill in each business are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment in accordance to the accounting policy stated in note 2.8 to our consolidated financial statements included under Item 8 of this document. The carrying amounts of all other intangible assets are reviewed where there are indications of possible impairment.

At December 31, 2014 and 2013, we had goodwill balances of \$11.5 million and \$2.5 million, respectively. This goodwill relates the business acquisitions we did in 2009 and 2014.

Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Goodwill is allocated to our CGUs identified according to operating segments. An operating segment-level summary of the goodwill allocation as of December 31, 2014 and 2013 was as follows:

| | December 31, 2014 | December 31, 2013 |
|---|----------------------|----------------------|
| Exhibitions, Topranch Limited | \$9.0 | \$- |
| Exhibitions, eMedia South China Limited | 2.5 | 2.5 |
| | \$11.5 | \$2.5 |

The trademarks intangible assets relating to the acquired businesses as at December 31, 2014 and 2013 were as follows:

| | December 31, 2014 | December 31, 2013 |
|---|----------------------|----------------------|
| Exhibitions, Topranch Limited | \$12.6 | \$- |
| Exhibitions, Haoji Group Limited | 8.9 | 13.6 |
| Exhibitions, eMedia South China Limited | 3.5 | 3.9 |
| Online and other media services business, EDN | 0.6 | 0.7 |
| | \$25.6 | \$18.2 |

The carrying amounts of goodwill in each business are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

An impairment review involves a comparison of the carrying value of the asset with the value in use based on our cash flow projections or fair value less cost to sell based on market comparable transactions or income approach. Key areas of judgment in estimating the recoverable amount of a CGU are the growth in cash flows over a five-year forecast period, the long term growth rate assumed thereafter and the discount rate applied to the forecast cash flows.

We performed an impairment review of goodwill balances at December 31, 2014. The recoverable amounts of CGUs were determined based on value-in-use calculations. For these calculations we used cash flow projections covering five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

Exhibitions, Topranch Limited:

For testing the goodwill for impairment at year end, we used the following key assumptions for value-in-use calculations:

- Revenue growth rate of average 5%
- Pre-tax discount rate of 21% applied to the pre-tax cash flow projections
- Growth rate beyond five years of 1.5%

We determined revenue growth rate based on past performance and its expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segment. Based on our testing, there was no impairment to goodwill for Topranch Limited as at December 31, 2014.

We have also performed a sensitivity analysis for the above exhibition business based on changes in key assumptions considered to be reasonably possible. There will be no impact to our results after tax if the pre-tax discount rate and the revenue growth applied to the discounted cash flows for this exhibition business at December 31, 2014 are raised by 1% and decreased by 1%, respectively, with all other variables including tax rate being held constant. In addition, there were no indicators of impairment for the trademark assets relating to Topranch Limited as at December 31, 2014. We have also assessed the useful lives of the trademarks and determined that no change in the useful lives was required.

Exhibitions, eMedia South China Limited:

For testing the goodwill for impairment at year end, we used the following key assumptions for value-in-use calculations:

- Revenue growth rate of average 1%
- Pre-tax discount rate of 22% applied to the pre-tax cash flow projections
- Growth rate beyond five years of 1.5%

We determined revenue growth rate based on past performance and its expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segment. Based on our testing, there was no impairment to goodwill for eMedia South China Limited as at December 31, 2014.

We have also performed a sensitivity analysis for the above exhibition business based on changes in key assumptions considered to be reasonably possible. There will be no impact to our results after tax if the pre-tax discount rate and the revenue growth applied to the discounted cash flows for this exhibition business at December 31, 2014 are raised by 1% and decreased by 1%, respectively, with all other variables including tax rate being held constant. In addition, there were no indicators of impairment for the trademark assets relating to eMedia South China Limited as at December 31, 2014. We have also assessed the useful life of the trademark and determined that no change in the useful life was required.

Exhibitions, Haoji Group Limited:

Due to a continuing decline in the economic climate in China, especially in the high fashion industry sector and other factors, we noted a decline in booth sales for the 2014 event. Accordingly, we performed an impairment review as at June 30, 2014. This review revealed a slow sales trend and a shortfall in the future cash flows to support the recoverability of the carrying value of the Haoji Group exhibition business. Based on our review we recorded an impairment of \$2.2 million to trademarks in the consolidated income statement for the year ended December 31, 2014. For testing the trademarks for impairment as at December 31, 2014, we used the following key assumptions for value-in-use calculations:

- Revenue growth rate of average 12%
- Pre-tax discount rate of 21% applied to the pre-tax cash flow projections
- Growth rate beyond five years of 1.5%

We determined revenue growth rate based on past performance and its expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segment. The cash flow projections we used were based on the detailed financial and operating plans of the business. Based on our testing, there was no impairment to the trademark for Haoji Group Limited as at December 31, 2014. The goodwill relating to Haoji Group Limited as at December 31, 2014 was nil as it was fully impaired as at December 31, 2013.

There will be no impact to our results after tax if the pre-tax discount rate and the revenue growth applied to the discounted cash flows for this exhibition business at December 31, 2014 are raised by 1% and decreased by 1%, respectively, with all other variables including tax rate being held constant. We have also assessed the useful lives of the trademarks and determined that no change in the useful lives was required.

Online and other media services business, EDN:

During the years ended December 31, 2012 and 2011, the Group recorded impairment of \$1.4 million and \$0.7 million to goodwill due to more than anticipated softening of the print advertising business. The balance of goodwill relating to EDN business was \$nil as at December 31, 2012. There were no impairment indicators for our EDN business as at December 31, 2014.

For both our exhibitions businesses as well as online and other media services business the estimated future cash flows are based on our internal business plans, adjusted as appropriate for our views of the overall demand for our business-to-business media services. Our internal business plans for exhibitions businesses reflect management's assumptions related to customer participation in our events, booth yields and visitor traffic. The business plans assume the occurrence of certain events in the future, such as the future booth yields, continued participation by our existing customers and renewal of certain contracts, continued services from key personnel, availability of suitable venues and future visitor traffic volumes. We also make assumptions regarding the sales costs and event organizing costs based on the expected outcome of the aforementioned events. Should the actual outcome of some or all of these assumptions differ significantly from the current assumptions, revisions to current cash flow assumptions could cause the fair value of our reporting units to be significantly different in future periods.

Another significant factor is our dependence on revenue from the mainland China market. Adverse political, legal or economic changes in mainland China or increased competition in the China market may harm our business and cause our revenues to decline or the overall level of global demand for mainland China's and Asia's exports may not be sustainable in the future which may also cause the fair value of our reporting units to be significantly different in future periods.

We perform annual impairment tests at each year-end. In between annual tests, we monitor our estimates and assumptions regarding estimated future cash flows and will update our impairment analyses if a triggering event occurs. While we believe our assumptions are reasonable, actual results may differ from our projections. To the extent projected results or cash flows are revised downward, the CGU may be required to impair all or a portion of its goodwill or trademark, which would adversely impact our earnings.

Results of Operations

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

| | Year ended December 31, | | | | | |
|---------------------------------|-------------------------|---|------|---|------|---|
| | 2014 | | 2013 | | 2012 | |
| Revenue | | | | | | |
| Online and other media services | 47 | % | 53 | % | 59 | % |
| Exhibitions | 49 | | 43 | | 38 | |
| Miscellaneous | 4 | | 4 | | 3 | |
| | 100 | | 100 | | 100 | |

Operating Expenses:

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| | | | | | | |
|---|------------|---|------------|---|------------|---|
| Sales | 31 | | 31 | | 35 | |
| Event production | 13 | | 12 | | 11 | |
| Community and content | 14 | | 14 | | 14 | |
| General and administrative | 26 | | 26 | | 19 | |
| Information and technology | 6 | | 7 | | 6 | |
| Total Operating Expenses | 90 | % | 90 | % | 85 | % |
| Profit on sale of property | - | | 8 | | - | |
| Profit from Operations | 10 | % | 18 | % | 15 | % |
| Net profit attributable to the Company's shareholders | 9 | % | 17 | % | 14 | % |
| Diluted net profit per share attributable to the Company's shareholders | \$0.55 | | \$0.91 | | \$0.90 | |
| Shares used in diluted net profit per share calculations | 33,482,371 | | 36,068,326 | | 35,385,218 | |

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

| | Year ended December 31, | | | | | |
|--------------|-------------------------|---|------|---|------|---|
| | 2014 | | 2013 | | 2012 | |
| China | 84 | % | 82 | % | 79 | % |
| Rest of Asia | 14 | | 15 | | 18 | |
| USA | 2 | | 3 | | 3 | |
| Europe | 0 | | 0 | | 0 | |
| Other | 0 | | 0 | | 0 | |
| | 100 | % | 100 | % | 100 | % |

Fiscal Year 2014 Compared to Fiscal Year 2013

Revenue

Total revenue grew marginally to \$198.2 million during the year ended December 31, 2014 from \$197.5 million during the year ended December 31, 2013 resulting mainly from a 13% growth in our Exhibitions revenue from our launch of the Mobile Electronics event in the fourth quarter of 2014 and our new SIMM machinery shows that we held in March 2014, off-set by an 11% decline in our Online and Other Media Services revenue. Our Online and Other Media Services revenue declined by 11% to \$93.2 million for the year ended December 31, 2014, as compared with \$104.6 million for the year ended December 31, 2013, primarily due to an 11% decline in our China market. The decline in our Online and Other Media Services revenue resulted from a 10% decline in our revenue from hosting online websites for our customers and a 14% decline in our print advertising services revenue. A continued weak growth in the China export market resulting from the global economic downturn coupled with various types of products and services launched by our competitors contributed to a reduced revenue yield from our customers, which impacted our online services revenue negatively and in addition, magazine advertising continues to be under pressure from the global shift by advertisers to alternative forms of advertising. China represented 79% of Online and Other Media Services revenue for the year ended December 31, 2014 and for the year ended December 31, 2013. Our Exhibitions revenue grew by 13% from \$85.6 million for the year ended December 31, 2013 to \$97.0 million for the year ended December 31, 2014, mainly due to a growth in our China Sourcing Fairs events in Hong Kong in the fourth quarter of 2014 as we launched our Mobile Electronics event in the fourth quarter of 2014, our new SIMM machinery shows that we held in March 2014 and growth in revenue from our China Sourcing Fairs events in Hong Kong in the second quarter of 2014 and the new China Sourcing Fairs events in Jakarta, Indonesia that we launched in the third quarter of 2014, off-set partially by the cancellation of our China Sourcing Fairs events in Dubai in 2014, which we last held in the second quarter of 2013, cancellation of our China Sourcing Fairs events in New Delhi, India in 2014, which we last held in the fourth quarter of 2013 and a decline in booth sales in our China Sourcing Fairs events in Sao Paulo, Brazil. We reached an agreement with China tax authorities for VAT exemption for our exhibition events held outside of China and received a VAT refund of \$1.3 million in the third quarter of 2014.

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. The commission expenses are expensed as incurred. For online and other media services, the commission expense is incurred when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier. For exhibitions, the commission expense is incurred 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 declined by 2% from \$62.0 million during the year ended December 31, 2013 to \$60.8 million during the year ended December 31, 2014. The decline in sales costs was mainly due to the decline in sales commissions relating to our online and other media services business due to a 11% decline in revenue off-set partially by an increase in marketing fees in the earlier quarters of 2014 for the sales promotion activities carried out. As our new SIMM machinery shows held in the first quarter of 2014 are China domestic tradeshows, their sales costs are lower compared to the sales costs relating to our online and other media services business and our exhibitions held outside 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 \$24.4 million for the year ended December 31, 2013 to \$25.1 million for the year ended December 31, 2014. The increase was mainly due to an increase in event production costs for our new SIMM machinery shows that we held in March 2014 and for our new China Sourcing Fairs events in Jakarta, Indonesia that we held in the third quarter of 2014 and the new China Sourcing Fairs Mobile Electronics event in Hong Kong that we launched in the fourth quarter of 2014. The increase in event production costs was off-set partially by a decline in such costs due to the cancellation of our China Sourcing Fairs events in Dubai and New Delhi, India in 2014, which we held in the second and fourth quarters, respectively, of 2013 and a decline in event organizing costs for our China Sourcing Fairs events in Sao Paulo, Brazil due to a decline in the number of booths sold.

Community and Content

Community and content costs consist of the costs incurred for servicing our buyer community, 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 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 decreased by 2% from \$27.5 million during the year ended December 31, 2013 to \$26.8 million during the year ended December 31, 2014 due mainly to a 19% decline in bulk circulation costs, printing charges, paper consumption and a 14% reduction in our content management services costs off-set partially by an increase in buyer promotions costs for our exhibition events.

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 arising from the revaluation of monetary assets and monetary liabilities, amortization of software and intangible assets as well as the impairment charge of intangible assets that may arise.

We have issued share awards under equity compensation plans (“ECP”), the Global Sources Retention Share Grant Plan and the Global Sources Retention Share Grant Plan II (amended effective as of May 1, 2012) to former employees, consultants and employees of third party service providers when they resign or retire from their respective employment or consultancy service. Under these plans, the share grants vest over a five-year period on a graded vesting basis, with 20% of shares vesting each year. The grantee is subject to the non-competition terms stipulated in the plan. There is no vesting condition other than the non-competition terms. Under the above plans, if the grantee fails to comply with the non-competition terms, his or her unvested shares may be forfeited. We recognize the intangible asset relating to the non-competition provisions of these awards at the fair value of the respective award. The intangible assets are amortized over the non-competition period 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, acquired a 70% interest in the China International Optoelectronic Expo exhibition business. We recorded the acquired intangible assets at fair value of \$5.8 million and goodwill of \$2.5 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs.

On April 2, 2011, our subsidiary, eMedia Asia Limited acquired a 100% interest in the EDN China and EDN Asia publications business and recorded the acquired intangible assets at fair value of \$1.6 million and goodwill of \$2.0 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs.

On March 9, 2012, we acquired an 80% interest in FashionSZshow (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair) in mainland China. We recorded the acquired intangible assets at a fair value of \$20.4 million, goodwill of \$5.0 million and related deferred tax liabilities of \$5.1 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs.

On October 1, 2013, in view of the downward trend in the fashion industry sector in China, management reviewed the useful lives of the trademark intangible assets of the FashionSZshow business and revised the useful lives of the trademark intangible assets to seven years from the original seventeen years. The effect of this change in the accounting estimate was recognized prospectively from October 1, 2013.

Due to continuing decline in the economic climate in China especially in the high fashion industry sector and other factors, management noted a decline in booth sales for the 2014 event compared to the earlier projections. Accordingly, management performed an impairment review of the FashionSZshow business in the second quarter of 2014 which revealed a shortfall in the future cash flows to support the recoverability of the carrying value of the FashionSZshow business. These calculations use cash flow projections by management covering a five-year period. Cash flows beyond the five-year period are computed using estimated growth rates. Based on the review, management determined that there was an impairment to the intangible assets and recorded a further impairment charge of \$2.2 million on trademark intangible assets in the general and administrative costs in the second quarter of 2014. The net book values of the intangible assets and goodwill relating to the FashionSZshow business as at December 31, 2014 were \$8.9 million and \$nil respectively.

We entered into an agreement in April 2013 to acquire a majority interest in the SIMM machinery shows business and the transaction was completed on January 1, 2014. The results of the SIMM machinery shows business have been

consolidated into our financial statements with effect from January 1, 2014. The amortization expense relating to the acquired intangible assets is included in the general and administrative costs. This transaction is discussed in detail under liquidity and capital resources section of this Item 5.

General and administrative costs increased by 5% from \$50.3 million during the year ended December 31, 2013 to \$52.6 million during the year ended December 31, 2014, due mainly to an increase in amortization of intangible assets relating to our acquired FashionSZshow business and SIMM machinery shows business, and foreign exchange losses recorded by us on the revaluation of the foreign currency denominated monetary assets and liabilities into our reporting currency, the U.S. Dollar, due to the devaluation of the Renminbi in 2014 and administrative costs relating to the SIMM machinery shows business, off-set partially by a reduction in impairment charge on goodwill and intangible assets relating to our FashionSZshow.

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 \$12.7 million for the year ended December 31, 2014, the same as for the year ended 31 December 2013, due mainly to an increase in payroll costs off-set by reductions in depreciation 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 the ECPs 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, 2014 and the year ended December 31, 2013 were \$1.9 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, 2014 was \$20.2 million as compared to \$36.1 million during the year ended December 31, 2013. The decline in total profit from operations resulted mainly as there was no profit on sale of property during the year ended December 31, 2014 and due to increases in event production costs and general and administrative costs, off-set partially by declines in sales costs and community and content costs.

Profit from operations for online and other media services declined from \$20.2 million during the year ended December 31, 2013 to \$16.1 million during the year ended December 31, 2014, a decline of 21%. The decline resulted mainly from a decline in online and other media services revenue partly off-set by reductions in sales costs,

community and content costs, general and administrative costs and information and technology costs. Profit from operations for exhibition services grew to a profit of \$0.5 million during the year ended December 31, 2014 from a loss of \$2.4 million during the year ended December 31, 2013, mainly due to growth in our

exhibitions revenue and a reduction in the impairment loss in goodwill and intangible assets relating to one of our acquired exhibition businesses 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 improved from \$2.9 million during the year ended December 30, 2013 to \$3.6 million during the year ended December 31, 2014 as a result of an increase in revenue in those segments.

Interest Income and gain on sale of available-for sale securities

We recorded interest income of \$1.3 million arising mainly from U.S. Treasury securities and term deposits placed with banks during the year ended December 31, 2014 compared to an interest income of \$1.5 million during the year ended December 31, 2013. The decline in interest income was mainly due to the reduction in our term deposits placed with banks in 2014 as we paid \$50.0 million for our tender offer and \$10.8 million for the second installment of the purchase consideration for the SIMM machinery shows business acquisition during the second quarter of 2014, off-set partially by the higher yield on the term deposits with the banks for the year ended December 31, 2014. We also recorded a \$0.01 million gain on sale of available-for-sale securities for the year ended December 31, 2014 compared to \$0.06 million during the year ended December 31, 2013.

Interest expenses

Interest expense represents the unwinding of the discount on the contingent consideration payable for the acquisition of the SIMM machinery shows business.

Income Taxes

Certain subsidiaries of the group 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 \$2.5 million for the year ended December 31, 2014 and of \$4.8 million for the year ended December 31, 2013. The decline is mainly due to the \$2.3 million tax expenses relating to the sale of property in Shenzhen, China recorded in the first half of 2013 and recognition of deferred tax assets and realization of deferred tax liabilities relating to our subsidiaries, off-set partially by tax provision on the profits for the SIMM machinery shows business recorded during the first half of 2014.

Net Profit Attributable to the Company

Net profit attributable to the Company declined from \$32.7 million during the year ended December 31, 2013 to \$18.3 million during the year ended December 31, 2014. The decline in net profit attributable to the Company resulted mainly from a reduction in profit on sale of property and increases in event production costs and general and administrative costs off-set partially by declines in sales costs, community and content costs and income tax expense.

Diluted Net Profit per Share

The diluted net profit per share attributable to the Company's shareholders declined from \$0.91 for the year ended December 31, 2013 to \$0.55 for the year ended December 31, 2014. The number of shares used for the computation of net profit per share declined from 36.1 million to 33.5 million resulting from the share repurchase discussed in the liquidity and capital section of this Item 5.

Fiscal Year 2013 Compared to Fiscal Year 2012

Revenue

Total revenue declined by 15% to \$197.5 million during the year ended December 31, 2013 from \$231.7 million during the year ended December 31, 2012. A weakened China export market coupled with increased competition contributed to a reduced revenue yield from our customers, affecting our revenue growth negatively. In addition, the decline in the revenue of our FashionSZshow and as we absorbed more value added tax (“VAT”) in 2013 compared to 2012 due to the implementation of VAT in China in a phased manner starting with one region in early 2012 and gradually implementing throughout the country, reduced our revenue for the year ended December 31, 2013. Our Online and Other Media Services revenue declined by \$31.5 million or 23% to \$104.6 million for the year ended December 31, 2013, as compared with \$136.1 million for the year ended December 31, 2012, primarily due to a 23% decline in our China market and declines in some of our Asian and US markets. The decline in our Online and Other Media Services revenue resulted from a 23% decline in both our revenue from hosting online websites and digital magazines for our customers and our print advertising services revenue. China represented 79% of Online and Other Media Services revenue for the year ended December 31, 2013 as well as for the year ended December 31, 2012. Our Exhibitions revenue declined by 4% from \$88.8 million for the year ended December 31, 2012 to \$85.6 million for the year ended December 31, 2013, mainly due to a decline in booth sales in our China Sourcing Fairs events in Dubai, Mumbai, India, FashionSZshow and the cancellation of our June 2013 and December 2013 Global Sourcing Fairs events in Shanghai, China. The above decline was partially offset by growth in booth sales in our China Sourcing Fairs events in Sao Paolo, Brazil and our Electronics show in our China Sourcing Fairs events in Hong Kong.

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 commission as a percentage of revenue generated. The commission expenses are expensed as incurred. For online and other media services, the commission expense is incurred when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier. For exhibitions, the commission expense is incurred 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 declined by 23% from \$80.4 million during the year ended December 31, 2012 to \$62.0 million during the year ended December 31, 2013. The decline in sales costs was mainly due to a decline in sales commissions due to a 15% decline in our total revenue, a decline in marketing fees and by a reduction in business tax expense due to the implementation of VAT in China in a phased manner since January 2012.

Event Production

Event production costs consist of the costs incurred for hosting the exhibition or trade show and seminar events. 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 declined from \$26.3 million during the year ended December 31, 2012 to \$24.4 million during the year ended December 31, 2013, a decline of 7%. The decline was mainly due to smaller scale China Sourcing Fairs events in Dubai and FashionSZshow and the cancellation of our June 2013 and December 2013 Global Sourcing Fairs events in Shanghai, China off-set partially by the increase in event organizing costs resulting from a higher number of booths sold in our China Sourcing Fairs events in Sao Paolo, Brazil.

Community and Content

Community and content costs consist of the costs incurred for servicing our buyer community, 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 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 decreased by 16% from \$32.7 million during the year ended December 31, 2012 to \$27.5 million during the year ended December 31, 2013 due mainly to a 38% decline in bulk circulation costs, printing charges, paper consumption and declines in promotions for our publications business, promotion costs for our trade show business and our participation in third party trade shows. We also reduced our content management services costs by 11%.

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 arising from the revaluation of monetary assets and monetary liabilities, amortization of software and intangible assets as well as the goodwill impairment charge discussed below.

We have issued share awards under an equity compensation plan (ECP), the Global Sources Retention Share Grant Plan and the Global Sources Retention Share Grant Plan II (amended effective as of May 1, 2012), to former employees, consultants and employees of third party service providers when they resign or retire 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 20% of shares vesting each year. The grantee is subject to the non-competition terms stipulated in the plan. There is no vesting condition other than the non-competition terms. Under the above plans, if the grantee fails to comply with the non-competition terms, his or her unvested shares may be forfeited. We recognize the intangible assets relating to the non-competition provisions of these awards at the fair value of the respective award. The intangible assets are amortized over the non-competition period 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, acquired a 70% interest in China International Optoelectronic Expo exhibition business. We recorded the acquired intangible assets at fair value of \$5.8 million and goodwill of \$2.5 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs.

On April 2, 2011, our subsidiary, eMedia Asia Limited acquired a 100% interest in the EDN China and EDN Asia publications business and recorded the acquired intangible assets at fair value of \$1.6 million and goodwill of \$2.0 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs. The goodwill related to this acquisition has been fully impaired and charged to the consolidated income statement by the end of 2012 and the net book value of goodwill as of December 31, 2013, was nil.

On March 9, 2012, we acquired an 80% interest in FashionSZshow (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair) in mainland China. We recorded the acquired intangible assets at a fair value of \$20.4 million, goodwill of \$5.0 million and related deferred tax liabilities of \$5.1 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs.

On October 1, 2013, in view of the downward trend in the fashion industry sector in China, the management reviewed the useful lives of the trademark intangible assets of the FashionSZshow business and revised the useful lives of the trademark intangible assets to seven years from the original seventeen years. The effect of this change in the accounting estimate was recognized prospectively from October 1, 2013. We recorded additional amortization expense of \$0.5 million during the fourth quarter of 2013 resulting from the change in accounting estimate. Annual amortization expense is expected to be higher by \$1.5 million during future financial years due to this change in accounting estimate.

Due to slow down in the current economic climate in China, management noted a significant decline in booth sales for the 2013 FashionSZshow event. Accordingly, management performed an impairment review in the second quarter of 2013 which revealed a shortfall in the future cash flows to support the recoverability of the carrying value of the FashionSZshow business. These calculations use cash flow projections by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. Based on the review, management determined that the goodwill balance relating to the FashionSZshow business was partially impaired and recorded a \$2.5 million goodwill impairment charge in the general and administrative costs in the second quarter of 2013. Management performed an annual impairment review as at December 31, 2013 which revealed a slower sales trend and a further shortfall in the future cash flows to support the recoverability of the carrying value of the FashionSZshow business. These calculations use cash flow projections by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. Based on the review, management determined that there was impairment to the goodwill and intangible assets and recorded a \$2.5 million goodwill impairment charge and a \$3.5 million trademark intangible assets impairment charge in the general and administrative costs in the fourth quarter of 2013. The net book values of the intangible assets and goodwill relating to the FashionSZshow business as at December 31, 2013 were \$13.6 million and \$ nil, respectively.

General and administrative costs increased by 14% from \$44.3 million during the year ended December 31, 2012 to \$50.3 million during the year ended December 31, 2013, due mainly to a goodwill impairment charge, an impairment charge of intangible assets, and an increase in amortization of intangible assets relating to our acquired FashionSZshow business, off-set partially by reductions in marketing costs, goodwill impairment charge relating to acquired EDN business in 2012 and foreign exchange gains arising from the revaluation of monetary assets and monetary liabilities.

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 declined by 4% from \$13.2 million during the year ended December 31, 2012 to \$12.7 million during the year ended December 31, 2013 due mainly to reductions in depreciation costs and internet communications costs.

Non-Cash Compensation Expense

We have issued share awards under several ECPs 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 generally 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 vest after four years or in accordance with such other vesting schedule as may be determined by the Plan Committee.

The vesting of share grants may be accelerated in the event of death of an awardee or if the Company is in liquidation or in certain other cases, such as if there is a takeover or a change of control of the Company.

The total non-cash compensation expenses, resulting from the ECPs, including 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, 2013 and the year ended December 31, 2012 were \$2.2 million and \$2.4 million, respectively.

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

Profit from Sale of Property

In the second quarter of 2013, we sold 1,939.38 square meters of office space on the 46th floor of a building in Shenzhen, China known as Excellence Times Square, for a total cash consideration of approximately \$19.6 million and recorded a profit on sale of property of approximately \$11.0 million and related taxes of \$2.3 million resulting from this transaction.

In the first quarter of 2013 we sold 9,431 square feet of office space on the 26th floor of Southmark building in Hong Kong, China, and three car parking spaces, for a total cash consideration of approximately \$9.0 million and recorded a profit on sale of property of \$4.5 million resulting from this transaction.

The total profit on sale of property, relating to the above two transactions, recorded by us during the year ended December 31, 2013 was \$15.4 million. The above transactions are discussed in detail under the Liquidity and Capital Resources section of this Item 5.

Profit from Operations

The total profit from operations during the year ended December 31, 2013 was \$36.1 million as compared to \$35.0 million during the year ended December 31, 2012. The increase in total profit from operations resulted mainly from profit on sale of property and declines in sales costs, event production costs, information and technology costs and community and content costs, off-set partially by a decline in revenue and an increase in general and administrative costs.

Profit from operations for online and other media services declined from \$24.9 million during the year ended December 31, 2012 to \$20.2 million during the year ended December 31, 2013, a decline of 19%. The decline resulted mainly from a decline in online and other media services revenue partly off-set by reductions in sales costs, community and content costs, general and administration costs and information and technology costs. Profit from operations for exhibition services declined from \$7.3 million during the year ended December 31, 2012 to a loss of \$2.4 million during the year ended December 31, 2013, mainly due to the impairment loss in goodwill and intangible assets relating to one of our acquired exhibition businesses that we recorded in 2013 and increases in general and administration costs, off-set partially by an increase in exhibitions revenue and declines in event production costs and community and content costs. Profit from operations for all other segments marginally improved from \$2.8 million during the year ended December 30, 2012 to \$2.9 million during the year ended December 31, 2013 as a result of an increase in revenue in those segments.

Interest Income and gain on sale of available-for sale securities

We recorded interest income of \$1.5 million arising mainly from U.S. Treasury securities and term deposits placed with banks during the year ended December 31, 2013 compared to an interest income of \$1.0 million during the year ended December 31, 2012. The increase in interest income was mainly due to the higher yield on the term deposits with the banks for the year ended December 31, 2013. We also recorded \$0.06 million gain on sales of available-for-sale securities for the year ended December 31, 2013.

Income Taxes

Certain subsidiaries of the group 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 \$4.8 million for the year ended December 31, 2013 and of \$2.7 million for the year ended December 31, 2012. The increase was mainly due to the \$2.3 million tax expenses relating to the sale of property in Shenzhen, China.

Net Profit Attributable to the Company

Net profit attributable to the Company increased from \$32.2 million during the year ended December 31, 2012 to \$32.7 million during the year ended December 31, 2013. The increase in net profit attributable to the Company resulted mainly from profit on sale of property, declines in sales costs, event production costs, community and content costs, information and technology costs, an increase in interest income and reduction in impairment loss on investment in associate, off-set partially by a decline in revenue and increases in general and administrative costs and income tax expense.

Diluted Net Profit per Share

The diluted net profit per share attributable to the Company's shareholders increased from \$0.90 for the year ended December 31, 2012 to \$0.91 for the year ended December 31, 2013. The number of shares used for the computation of net profit per share increased from 35.7 million to 36.1 million.

Liquidity and Capital Resources

We financed our activities for the year ended December 31, 2014 using cash generated from our operations and we had no bank debt as at December 31, 2014.

Net cash generated from operating activities was \$32.3 million for the year ended December 31, 2014, compared to \$31.1 million for the year ended December 31, 2013. The primary source of cash from operating activities was collections from our customers received through our independent sales representative organizations. The majority of our customers in mainland China pay us in advance for our Online and Other Media Services business. The majority of our Exhibitions business collections are advance payments. The advance payments from customers in mainland China for our Online and Other Media Services business were impacted by the continued weak growth in China export market resulting from the global economic downturn coupled with market competition. The 11% decline in our Online and Other Media Services revenue in 2014 compared to 2013 was a reflection of the reduction in advance payments from customers for our Online and Other Media Services business. However our Exhibitions business grew

by 13% in 2014 compared to 2013 which stabilized the decline in our advance payments resulting in \$88.8 million advance payments from our customers as at December 31, 2014 compared to \$90.4 million as at December 31, 2013.

Receivables from sales representative organizations declined from \$10.6 million as of December 31, 2013 to \$7.9 million as of December 31, 2014 resulting from expeditious transfer of collections by the sales representatives to our bank accounts. The receivables from sales representative organizations represent cash receipts from

our customers, net of commissions and fees payable, and which are collected by the independent sales representatives on our behalf. These cash receipts are banked into designated bank accounts owned by the independent sales representatives in China. For credit risk management purposes, our employees are the only authorized signatories for the withdrawal of cash from these bank accounts. We have long standing relationships with a majority of these independent sales representatives, for whom there is no recent history of default in transferring the funds to us. 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.

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 \$9.6 million in respect of losses as at December 31, 2014 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 \$28.0 million during the year ended December 31, 2014, resulting mainly from a \$9.0 million payment for the acquisition of a controlling interest in a subsidiary, a \$13.8 payment for the purchase of property, \$4.4 million for the purchase of computers, software, a motor vehicle, office equipment and leasehold improvements, \$6.0 million term deposits placed with banks, a \$2.6 million purchase of available-for-sale financial assets and \$0.5 million for acquisition of intangible assets off-set partially by \$1.9 million proceeds from matured term deposits with banks, \$5.2 million of proceeds from the sale of available-for-sale financial assets and \$1.2 million interest received. Net cash generated from investing activities was \$3.3 million during the year ended December 31, 2013, resulting mainly from \$27.9 million proceeds from the sale of property and equipment and investment property, \$5.8 million proceeds from matured term deposits with banks, \$1.3 million of proceeds from the sale of available-for-sale financial assets and \$1.5 million interest received, off-set partially by \$24.6 million purchase of property and \$2.4 million for the purchase of computers, software, office equipment and leasehold improvements, a \$4.4 million balance payment for the acquisition of a controlling interest in a subsidiary and \$1.8 million term deposits placed with banks..

Capital expenditures during the three months period ended March 31, 2015 amounted to \$0.4 million and were incurred mainly for the purchase of computers, purchased software and software development. 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 to support our continued business expansion in China. In order to reduce our exposure to potential rental cost increases, in March 2013 we purchased office space of 36,822 square feet in a commercial building in Hong Kong SAR, which we were leasing for operational use. The payments for these acquisitions were funded from our internal cash resources. These buildings are situated on leasehold lands with lease periods ranging between 50 and 75 years. We record the depreciation on these assets on a straight-line basis over the remaining lease term or 50 years, whichever is shorter.

On March 28, 2013, we sold office space on the 26th floor of Southmark building in Hong Kong SAR, which was recorded under property and equipment, comprising a total area of 9,431 square feet, and three car parking spaces, for

a total cash consideration of approximately \$9.0 million.

In May 2013, we completed the sale of 1,939.38 square meters of office space on the 46th floor of a building in Shenzhen, China known as Excellence Times Square, for a total cash consideration of approximately \$19.6 million.

In order to reduce our exposure to potential rental cost increases, and to secure office space for our continued and uninterrupted operational use, on February 10, 2014 we completed the purchase of commercial property on the eighth floor of No. 1 Sims Lane, Singapore, situated on freehold land, with a total gross floor area of approximately 22,496.50 square feet, together with appurtenant roof top accessory lots above the eighth floor which we were leasing for operational use and paid a total consideration of approximately \$13.1 million. The total cost of the purchase including the transaction costs of \$13.8 million was recorded under property and equipment. We record the depreciation on the building portion of this asset on a straight-line basis over 50 years.

Based on the Company's intention, the portion of our properties that is designated to generate rental income in the short to medium term has been classified as Investment Properties. The net book value of the portion of these properties classified as Investment Properties as at December 31, 2014 and as at December 31, 2013 was \$85.5 million and \$89.6 million, respectively. The total net book value of these office properties including the portion classified as Investment Properties and the portion classified under Property and Equipment as at December 31, 2014 and as at December 31, 2013 was \$142.2 million and \$134.5 million, respectively. The total market value of the office properties held as at December 31, 2014 and as at December 31, 2013 was \$242.5 million and \$229.4 million, respectively, based on independent valuation reports prepared by Savills Valuation and Professional Services Limited, Hong Kong for properties situated in Hong Kong SAR and China and by Savills Valuation and Professional Services (S) Pte Ltd, Singapore for the property situated in Singapore. 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 U.S. Treasury Bills, in term deposits with major banks and available-for-sale securities to generate interest income. The market values of our U.S. Treasury Bills, term deposits with banks and other available-for-sale securities as at December 31, 2014 were nil, \$61.3 million and \$4.0 million, respectively compared to the market values of our U.S. Treasury Bills, term deposits with banks and other available-for-sale securities as at December 31, 2013 of \$13.2 million, \$98.1 million and \$6.4 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, 2014, 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, 2014, such guarantee amounted to \$0.003 million.

In 2012 and again in 2014 we entered into venue license agreements for future exhibition events from 2015 to 2018 for a total amount of \$46.2 million. The above 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 at December 31, 2014, we have paid approximately \$5.4 million in the aggregate under these agreements. The lease term of the venue license agreements entered into in 2007 and 2010 with gross value of \$64,386 as at December 31, 2013 has ended in 2014.

Net cash used in financing activities was \$51.3 million during the year ended December 31, 2014, resulting from a \$50.0 million payment for the repurchase of our shares through a self tender offer and a \$1.5 million payment of dividends to non-controlling shareholders by subsidiaries off-set partially by a \$0.2 million additional investment in a subsidiary by non-controlling shareholder. Net cash used in financing activities was \$2.0 million during the year ended December 31, 2013, resulting from a \$2.0 million payment of dividends to non-controlling shareholders by subsidiaries.

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, 2014, we have not bought back any of our shares under this program.

In March 2012, we acquired an 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 FashionSZshow (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair), one of the largest fashion shows in Asia, for a total consideration of up to approximately \$17.0 million. During the second quarter of 2013, management performed an impairment review and recorded a \$2.5 million goodwill impairment charge in the general and administrative costs in the second quarter of 2013. Management performed an annual impairment review as at December 31, 2013 which revealed a slower sales trend and further shortfall in the future cash flows to support the recoverability of the carrying value of the FashionSZshow business. Based on the review, we recorded a \$2.5 million goodwill impairment charge and a \$3.5 million trademark intangible assets impairment charge in the general and administrative costs in the fourth quarter of 2013. In addition, on October 1, 2013, management reviewed the useful lives of the trademark intangible assets of the FashionSZshow business taking into account the downward trend in the fashion industry sector in China and revised the useful lives of the trademark intangible assets to seven years from the original seventeen years. The effect of this change in the accounting estimate was recognized prospectively from October 1, 2013. Due to continuing decline in the economic climate in China especially in the high fashion industry sector and other factors, management noted a decline in booth sales for the 2014 FashionSZshow event compared to the earlier projections. Accordingly, management performed an impairment review in the second quarter of 2014 which revealed a shortfall in the future cash flows to support the recoverability of the carrying value of the FashionSZshow business. Based on the review, management determined that there was impairment to the intangible assets and recorded a further impairment charge of \$2.2 million on trademark intangible assets in the general and administrative costs in the second quarter of 2014. The net book values of the intangible assets and goodwill relating to the FashionSZshow business as at December 31, 2014 were \$8.9 million and \$nil, respectively.

In April 2013, we entered into an agreement to acquire a 100% interest in Topranch Limited (a company incorporated in the British Virgin Islands), subject to closing conditions. The completion date of the transaction was January 1, 2014. Topranch Limited through its subsidiaries hosts the Shenzhen International Machinery Manufacturing Industry Exhibition and its related shows ("SIMM machinery shows") which currently consist of two groups of co-located trade shows: (a) the Shenzhen International Machining Automation Exhibition and the Shenzhen International Metal Forming Machine Tool & Mould Exhibition (collectively, the "Group A SIMM Events"); and (b) the Shenzhen International Metal Cutting Machine Tool Exhibition (the "Group B SIMM Events"). Topranch Limited through its subsidiaries owns a 70% interest in the Group A SIMM Events and a 56% interest in the Group B SIMM Events. These events are held annually in Shenzhen, China. Our ownership interest in these events will further assist us to establish a strong presence in a fast-growing market in mainland China and will enable us to take advantage of market opportunities.

The total consideration for this acquisition was approximately \$16.3 million. We paid an initial deposit of \$2.2 million in the third quarter of 2013 and paid the second instalment of \$10.8 million in April 2014. The balance of cash consideration of \$3.3 million is payable in several instalments over next three years upon certain conditions being fulfilled. We expensed \$0.2 million in legal and other costs relating to this acquisition in 2013. In addition, there is a potential obligation to pay not more than approximately \$1.2 million for transaction cost, which will be expensed

upon payment. As the completion date of the transaction was January 1, 2014, the results of the acquired entities have been consolidated into our financial statements in the first quarter 2014. The contingent consideration is measured at fair value on the date of acquisition and held as a financial liability on the balance sheet. We recorded this acquisition as a business combination. The purchase price allocation was completed in the fourth quarter of 2014 and we recorded the acquired intangible assets of \$16.5 million and the related deferred tax liabilities of \$4.1 million and goodwill of \$9.0 million in connection with this acquisition. A majority of the intangible assets have useful lives of 10 years. The amortization expense relating to these acquired intangible assets of \$ 0.3 million and \$3.9 million was included in the general and administrative costs

in the consolidated income statement for the three months and the year ended December 31, 2014. Correspondingly, we recorded \$0.1 million and \$1.0 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 three months and the year ended December 31, 2014. We recorded a non-controlling interest of \$4.7 million for this acquisition based on the proportionate share of the identifiable net assets of the acquiree.

On March 11, 2014, our Board of Directors authorized the repurchase of up to 5,000,000 of our issued and outstanding common shares, representing approximately 14.4% of the total number of our common shares issued and outstanding as at February 28, 2014, by tender offer at a purchase price of \$10.00 per share. The total purchase consideration for this tender offer was \$50.0 million. The offer commenced on April 30, 2014. As per the final count, the number of shares properly tendered and not properly withdrawn was greater than the number of shares that the Company offered to purchase. Therefore, it was necessary to apply the odd lot priority and prorating provisions described in our offer to purchase. As per terms of the tender offer the shares were purchased, first, from all holders of “odd lots” of fewer than 100 shares who properly tendered all of their shares and did not properly withdraw them before the expiration date; and second, from all other shareholders who properly tendered shares, on a pro-rata basis. The Company accepted approximately 15.17% of the shares properly tendered and not properly withdrawn by each shareholder, in addition to the tendered shares with odd lot priority. The Company issued payment of \$10.00 per share for all the shares purchased. The repurchase was completed by June 6, 2014 and we paid \$50.0 million in purchase consideration to the tendering shareholders. We funded this share repurchase from our cash balance on hand. We are holding the repurchased shares as treasury shares.

The following table summarizes our contractual obligations as of December 31, 2014:

| | 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 | \$648 | \$348 | \$300 | - | - |
| Purchase obligations (including venue license/rental obligations) | \$43,644 | \$13,181 | \$23,562 | 6,901 | - |
| Deferred income and customer prepayments - long term | \$3,971 | - | \$3,971 | - | - |
| Total | \$48,263 | \$13,529 | \$27,833 | \$6,901 | \$- |

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 then existing 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

New standards, amendments and interpretations issued that are effective for the financial year beginning on or after January 1, 2015:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. We are currently assessing the impact of the adoption of IFRS 9 on our financial statements.

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. We are currently assessing the impact of the adoption of IFRS 15 on our financial statements.

There are no other IFRS 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 Hinrich | 73 | Director and Executive Chairman |
| Spenser Au | 60 | Chief Executive Officer |
| Connie Lai | 41 | Chief Financial Officer |
| Brent Barnes | 42 | Chief Operating Officer |
| Peter Zapf | 46 | Chief Information Officer |
| Sarah Benecke | 58 | Director |
| Eddie Heng Teng Hua | 64 | Director |
| Roderick E. Chalmers | 67 | Director |
| David F. Jones | 50 | Director |
| James A. Watkins | 69 | Director |
| Yam Kam Hon Peter | 68 | Director |

Mr. Hinrich 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. Hinrich was chairman of the ASM Group, which included Trade Media. Mr. Hinrich is a director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrich graduated from the University of Nebraska and the Thunderbird School of Global Management (“Thunderbird”). Mr. Hinrich is a member of Tsinghua University International Advisory Board for China’s first-ever English-language Global Business Journalism program and an advisor to the Hong Kong Baptist University. After 22 years of service, he retired from the board of trustees of Thunderbird. He is a board member of the Economic Strategy Institute in Washington, D.C., co-founder and former chairman of The Society of Hong Kong Publishers, and the chairman of the council of members of the Hinrich Foundation. He is also an investment Promotion Ambassador with Invest Hong Kong. His term as director expires in 2015.

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, trade show operations, 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 executive training programs for various multinational companies. 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 January 2010. 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 boards of Australian media company, McPherson Media, and Hong Kong art show organiser, Asia Contemporary Art Ltd. She graduated with a B.A. from the University of New South Wales, Australia. Her term as director expires in 2016.

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 Chartered Accountant, a member of the Institute of Singapore Chartered Accountants, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Mr. Heng is currently an audit committee member 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 2016.

Mr. Chalmers has been a director since October 2000. 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 financial services 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 currently a director of Gasan Group Limited (Malta), and Simonds Farsons Cisk Limited (Malta). He was the Chairman of the Board of Directors of the Bank of Valletta plc from 2004 until his retirement from that position in 2012. His term as director expires in 2015.

Mr. Jones has been a director since April 2000. He is the CEO of Kudos Energy, a solar energy financing business. From August 2011 to February 2013, Mr. Jones was with Better Place Inc., a global electric vehicle services provider, where he was Vice President Global Corporate Development and Strategy. 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 Chairman of VGI Partners, Derwent Executive, and 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 2017.

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 2017.

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 Electric Asia-Pacific 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 bachelor's degree in electrical engineering from the University of Hong Kong and an Executive MBA from the University of Chicago. He is also currently an adjunct professor of The Chinese University of Hong Kong's Faculty of Business Administration Department of Management, a member of the College Council and the Board of Governors of the Centennial College, Hong Kong, and a council member of the Asian Corporate Governance Association. 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 2017.

Compensation

For the year ended December 31, 2014, we and our subsidiaries provided our eleven directors and executive officers as a group aggregate remuneration, pension contributions, allowances and other benefits of approximately \$3,629,037

(2013: \$3,558,660; 2012: \$2,912,170) including the non-cash compensation of \$1,267,491 (2013: \$998,371; 2012: \$717,544) associated with the ECPs.

In 2014, we and our subsidiaries incurred \$90,566 (2013: \$363,506; 2012: \$43,404) 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. Hinrich under which he serves as our executive chairman. The agreements contain covenants restricting Mr. Hinrich's 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. Hinrich in the course of his employment. Upon a change of control, if Mr. Hinrich 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. Hinrich 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, we are liable to pay Mr. Hinrich 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, 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, 23 years of service with us. Six 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, James Watkins and Eddie Heng Teng Hua 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 A. Hinrich, Eddie Heng Teng Hua and Sarah Benecke are the members of the executive committee.

We have a separately - designated standing compensation committee, consisting of independent directors. The members of the compensation committee are Roderick Chalmers, David Jones, James Watkins, Peter Yam, Eddie Heng Teng Hua and Sarah Benecke. The primary function of the compensation committee is to approve compensation packages for each of the Company's executive officers. The compensation committee held at least two meetings in the fiscal year ended December 31, 2014.

We have an executive sessions committee, consisting of the independent directors. The members of the executive sessions committee are Roderick Chalmers, David Jones, James Watkins, Peter Yam, Eddie Heng Teng Hua and Sarah Benecke. The executive sessions committee meets to discuss matters under the purview of the independent directors. The executive sessions committee held at least three meetings in the fiscal year ended December 31, 2014.

Our compensation committee and audit committee charters are available on our website at www.corporate.globalsources.com.

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 SEC or by NASDAQ.

Employees

As of December 31, 2014, we had 505 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 | 3 | 165 | 168 |
| Corporate Human Resources & Administration | 47 | 52 | 99 |
| Corporate Marketing | 8 | 15 | 23 |
| Community Development | 73 | 19 | 92 |
| Sales | 149 | 1,902 | 2,051 |
| Information System Department (includes CIO office) | 82 | 85 | 167 |
| Corporate Accounts | 68 | 61 | 129 |
| Office of the CEO, COO | 12 | 0 | 12 |
| Legal and Group Secretarial | 6 | 1 | 7 |
| Conference & Trade Show Services + China Edu | 57 | 70 | 127 |
| Total | 505 | 2,370 | 2,875 |

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 through 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.”), as trustee (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 28, 2015, the Trustee holds 571,333 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 the plan committee (“ECP Plan Committee”), whose members are 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 28, 2015, the 2007 Trustee does not hold any unvested common shares contributed by us in the 2007 Trust, but the 2007 Trustee holds 36,056 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 the plan committee to be constituted and appointed by our Board of Directors. 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 ECP 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 was determined by the ECP 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 ECP 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 ECP 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.

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 ECP Plan Committee.

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

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

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 is determined by the ECP 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 ECP 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 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 became effective on January 1, 2007 and, unless terminated earlier by our Board of Directors, was due to expire on December 31, 2012 (but its expiration date has since been extended to December 31, 2017 (as described below)). 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 determined by the ECP 2007 Plan Committee, which is 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 awarded 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. 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)"), was 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 ECP 2007 Master 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 June 20, 2012, our shareholders approved the extension of the expiration date of the ECP 2007 Master Plan (Amended) from December 31, 2012 to December 31, 2017.

On March 25, 2014, we awarded 298,546 shares under the ECP 2007 Master Plan (Amended), which increased the total number of shares granted thereunder to 3,147,131. Thereafter, in 2014 and during the first two months of 2015, we awarded an additional 53,388 shares under the ECP 2007 Master Plan (Amended), and 49,788 shares previously awarded thereunder were forfeited. As a result of these awards, as of February 28, 2015, we had awarded 3,150,731 shares pursuant to the ECP 2007 Master Plan (Amended).

On December 15, 2014, our directors approved an amendment to the ECP 2007 Master Plan (Amended) (as extended to December 31, 2017) to increase the maximum total number of shares that may be awarded under it from 3,000,000 to 6,000,000 common shares. By further written resolutions of our board dated February 27, 2015, our directors approved, confirmed and ratified such amendment as being effective as of January 1, 2014. The amended version of the plan is known as “The Global Sources Equity Compensation (2007) Master Plan (Amended and Restated effective as of January 1, 2014)” (“ECP 2007 Master Plan (Amended and Restated)”).

On March 5, 2015, we filed a Form S-8 Registration Statement under the Securities Act with the SEC for up to 2,849,269 additional common shares to be issued under the ECP 2007 Master Plan (Amended and Restated).

On March 6, 2007, the ECP 2007 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 determines which eligible Team Members will be granted awards of shares and the number of shares to be awarded to them, and the vesting schedule for such awards. The plan became effective 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.

On March 6, 2007, the ECP 2007 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 determines which 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 vest in equal installments over a period of five years after retirement, subject to certain non-competition terms and a condition that the grantees remain “in good standing”. There is no forfeiture provision other than pursuant to the non-competition terms and 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.

On April 24, 2009, the ECP 2007 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 determines which directors of the Company will be granted awards of shares and the number of shares to be awarded to them. Any shares awarded do not vest immediately, but only after four years after the effective date, as specified by the ECP 2007 Plan Committee (or in accordance with such other vesting schedule as may be determined by the ECP 2007 Plan Committee). The plan became effective 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 ECP 2007 Plan Committee 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 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. An amended version of the plan, known as “The Global Sources Retention Share Grant Plan II (amended effective as of May 1, 2012)”, was approved by the ECP 2007 Plan Committee, with effect from May 1, 2012, in order to clarify that each person eligible to receive an award under the plan must be so eligible as of the effective time of his/her retirement, and all awards to a grantee under the plan shall be or shall be deemed to be effective immediately prior to the effective time of the grantee’s retirement. The ECP 2007 Plan Committee first

approved awards of common shares under the plan in April 2012, and approved additional awards under the plan on various subsequent dates.

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 total outstanding common shares and the share ownership of our directors and officers as of February 28, 2015. The information is based upon our knowledge of the share ownership of such persons on February 28, 2015.

| Name of Beneficial Owner | Common Shares Beneficially Owned | |
|---|----------------------------------|------------------|
| | Shares | Percentage ** |
| Merle Allan Hinrich | 13,862,638 *** | 45.87 %*** |
| Spenser Au | * | * |
| Connie Lai | * | * |
| Brent Barnes | * | * |
| Peter Zapf | * | * |
| Sarah Benecke | * | * |
| Eddie Heng Teng Hua | * | * |
| David F Jones | * | * |
| Roderick E Chalmers | * | * |
| James A Watkins | * | * |
| Yam Kam Hon Peter | * | * |
| All officers and directors as a group (11 persons) | 14,445,169 | 47.80 % |
| GAMCO Investors, Inc. et al. One Corporate Center Rye New York 10580-1435 | 2,114,538 **** | 7.00 %**** |

* Indicates beneficial ownership of less than 1%.

**Based upon 30,218,703 common shares issued and outstanding as of February 28, 2015. The percentage figures are calculated based on our total issued and 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 28, 2015, Mr. Merle Allan Hinrich has the sole power to vote and dispose of 12,570,896 common shares beneficially owned by him (representing approximately 41.60% of our total issued and outstanding common shares), may be deemed to have shared power with his wife Miriam Hinrich to vote or direct to vote and dispose of 288,254 common shares owned by her (representing approximately 0.95% of our total issued and outstanding common shares) and may be deemed to have shared power with Hinrich Investments Limited to vote or direct to vote and dispose of 1,003,488 common shares owned by Hinrich Investments Limited (representing approximately 3.32% of our total issued and outstanding common shares). Hinrich Investments Limited is owned by a nominee company in trust for the Hinrich Foundation, of which Mr. Hinrich serves as the chairman of the council of members (the decision-making body), and of which he was the founder and the initial settlor.

Mr. Hinrich, who is our Executive Chairman, may therefore be deemed to beneficially own up to approximately 45.87% of our total issued and outstanding common shares as of February 28, 2015 (as described above), and he is

deemed our controlling shareholder.

****Based on Amendment No. 1 to Schedule 13D filed on October 1, 2014 by a group including GAMCO Investors, Inc., which includes Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer.

As of February 28, 2015, we believe that approximately 15,785,829 of our shares, or approximately 52.24% of our total issued and outstanding common shares, were beneficially owned by U.S. holders and there were 587 shareholders of record in the U.S. (excluding any U.S. holders who may be holding our shares through brokerage firms).

Neither our major shareholders nor our directors or officers 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

There were no material related party transactions from January 1, 2014 to February 28, 2015.

ITEM 8. FINANCIAL INFORMATION

GLOBAL SOURCES LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Global Sources Ltd. (the 'Company') and its subsidiaries at December 31, 2014, and December 31, 2013 and the results of their operations and their cash flows for each of the three years ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework 1992 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting.

Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP
Singapore
April 7, 2015

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GLOBAL SOURCES LTD. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

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

| | Year ended December 31, | | |
|---|-------------------------|------------|------------|
| | 2014 | 2013 | 2012 |
| Revenue: | | | |
| Online and other media services | \$ 93,252 | \$ 104,629 | \$ 136,101 |
| Exhibitions | 97,017 | 85,636 | 88,782 |
| Miscellaneous | 7,943 | 7,257 | 6,857 |
| | 198,212 | 197,522 | 231,740 |
| Operating Expenses: | | | |
| Sales | 60,805 | 61,958 | 80,354 |
| Event production | 25,080 | 24,403 | 26,250 |
| Community and content | 26,843 | 27,481 | 32,696 |
| General and administrative | 52,631 | 50,272 | 44,281 |
| Information and technology | 12,683 | 12,729 | 13,188 |
| Total Operating Expenses | 178,042 | 176,843 | 196,769 |
| Profit on sale of property | - | 15,410 | - |
| Profit from Operations | 20,170 | 36,089 | 34,971 |
| Interest income | 1,314 | 1,472 | 1,044 |
| Interest expenses | (186) | - | - |
| Gain on sale of available-for-sale securities | 11 | 64 | - |
| Share of loss of associate | - | - | (24) |
| Impairment loss on investment in associate | - | - | (302) |
| Profit before income taxes | 21,309 | 37,625 | 35,689 |
| Income tax expense | (2,468) | (4,753) | (2,744) |
| Net profit | 18,841 | 32,872 | 32,945 |
| Net profit attributable to non-controlling interests | (511) | (137) | (739) |
| Net profit attributable to the Company's shareholders | \$ 18,330 | \$ 32,735 | \$ 32,206 |
| Basic net profit per share attributable to the Company's shareholders | \$ 0.57 | \$ 0.95 | \$ 0.95 |
| Shares used in basic net profit per share calculations | 31,953,136 | 34,426,468 | 34,017,730 |
| Diluted net profit per share attributable to the Company's shareholders | \$ 0.55 | \$ 0.91 | \$ 0.90 |
| Shares used in diluted net profit per share calculation | 33,482,371 | 36,068,326 | 35,742,495 |

The notes on pages 78 to 123 are an integral part of these consolidated financial statements.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

| | Year ended December 31, | | |
|---|-------------------------|----------|----------|
| | 2014 | 2013 | 2012 |
| Net profit | \$ 18,841 | \$32,872 | \$32,945 |
| Other comprehensive income that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences arising from consolidation | (2,832) | 3,170 | 1,623 |
| Financial assets, available-for-sale: | | | |
| Fair value gains | 141 | 61 | 52 |
| Reclassification to income statements on disposal | (11) | (64) | - |
| Other comprehensive income/(loss) for the year, net of tax of \$nil | (2,702) | 3,167 | 1,675 |
| Total comprehensive income for the year | 16,139 | 36,039 | 34,620 |
| Total comprehensive income attributable to the Company's shareholders | 15,657 | 35,806 | 33,812 |
| Total comprehensive income attributable to non-controlling interests | 482 | 233 | 808 |
| Total comprehensive income for the year | \$ 16,139 | \$36,039 | \$34,620 |

The notes on pages 78 to 123 are an integral part of these consolidated financial statements.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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

| | As at December 31, | |
|---|--------------------|------------|
| | 2014 | 2013 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 90,223 | \$ 137,359 |
| Term deposits with banks | 4,285 | 106 |
| Financial assets, available-for-sale | 3,952 | 6,367 |
| Accounts receivables, net | 2,269 | 3,122 |
| Receivables from sales representatives | 7,900 | 10,630 |
| Inventories | 154 | 266 |
| Prepaid expenses and other current assets | 17,027 | 18,544 |
| | 125,810 | 176,394 |
| Non-current assets | | |
| Property and equipment | 63,519 | 49,701 |
| Investment properties | 85,546 | 89,615 |
| Intangible assets | 37,732 | 21,423 |
| Long term investment | | |