MATSUSHITA ELECTRIC INDUSTRIAL CO LTD
Form 6-K
May 13, 2005
Table of Contents

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

The Securities Exchange Act of 1934

For the Month of April 2005

Commission File Number: 1-6784

Matsushita Electric Industrial Co., Ltd.

Kadoma, Osaka, Japan

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7): ____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule

12g3-2(b): 82-____

Table of Contents

This Form 6-K consists of:

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Matsushita Electric Industrial Co., Ltd.

By: /s/ Yukitoshi Onda

Yukitoshi Onda, Attorney-in-Fact

President

Panasonic Finance (America), Inc.

Dated: May 13, 2005

Table of Contents

FOR IMMEDIATE RELEASE

April 4, 2005

MEDIA CONTACTS:

LG Electronics, Inc.
Karen Park, Corporate Communications Team
Tel: +82-2-3777-3920

Matsushita Electric Industrial Co., Ltd.
Akira Kadota, International PR
Tel: +81-6-6949-2293
Panasonic News Bureau
Tel: +81-3-3542-6205

LG Electronics and Matsushita Settle PDP Patent Disputes

Seoul, Korea and Tokyo, Japan - LG Electronics, Inc. (LG Electronics) and Matsushita Electric Industrial Co., Ltd. (Matsushita) today announced that the two companies have reached a basic agreement to resolve the legal procedures by a settlement with respect to patents relating to plasma display panel (PDP) brought in Japan and Korea.

Under the agreement, the companies dismissed the applications of the import suspension and other legal actions in Korea and Japan, as to their respective PDP patents.

As part of the settlement, the two companies have agreed to enter into a cross-licensing agreement regarding PC and DVD specifications as well as PDP patents.

LG Electronics and Matsushita welcome an early settlement of the pending disputes. As a result of the settlement, the companies reconfirmed continued cooperation in other business areas.

In addition, LG Electronics and Matsushita agreed to set up a Business Collaboration Committee to further explore potential collaboration areas.

The companies have been maintaining a good relationship since January 2001 when they agreed to form a business collaboration team in the field of residential air conditioners.

About LG Electronics, Inc.

LG Electronics, Inc. (Korea Stock Exchange: 06657.KS) is a global force in electronics, information and communications products with 2004 annual sales of US $38 billion (consolidated). With more than 66,000 employees working in 76 subsidiaries in 39 countries around the world, LG Electronics is comprised of four main business companies including Mobile Communications, and Digital Appliance, Digital Display, and Digital Media.

Table of Contents

LG Electronics Digital Display Company provides core technologies for cutting-edge digital products and is a world leader in digital display products including Plasma TVs, LCD TVs and Monitors, and HDTV (high-definition televisions). For more information please visit www.lge.com

About Matsushita Electric Industrial, Co., Ltd.

Best known by its Panasonic brand name, Matsushita Electric Industrial Co., Ltd. is a worldwide leader in the development and manufacture of electronic products for a wide range of consumer, business, and industrial needs. Based in Osaka, Japan, the company recorded consolidated net sales of US$71.92 billion for the year ended March 31, 2004. The company s shares are listed on the Tokyo, Osaka, Nagoya, New York (NYSE:MC), Euronext Amsterdam and Frankfurt stock exchanges. For more information on the company and the Panasonic brand, visit the company s website at http://panasonic.co.jp/global/index.html.

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Table of Contents

April 12, 2005

FOR IMMEDIATE RELEASE

Media Contacts:

Mike Kitadeya / Karl Takahashi (Osaka)
International PR
(Tel: +81-6-6949-2293)

Panasonic News Bureau (Tokyo)
(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)
(Tel: +1-201-392-6067)

Brendon Gore (Europe)
(Tel: +44-20-8899-2217)

Investor Relations Contacts:

Ryuichi Tsuruta (Osaka)
Investor Relations
(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)
Panasonic Finance (America), Inc.
(Tel: +1-212-698-1365)

Norio Iino (Europe)
Panasonic Finance (Europe) plc
(Tel: +44-20-7562-4400)

Matsushita Comments on Media Reports about Company s Plans

in Regards to Hostile Takeover Countermeasures

Osaka, Japan, April 12, 2005 Matsushita Electric Industrial Co., Ltd. (MEI [NYSE symbol: MC]) commented on today s press reports in Japan about the company s plans to adopt hostile takeover countermeasures subject to approval by its shareholders in June.

The Company stated that it is continually pursuing initiatives aimed at enhancing shareholder value, including measures to deal with offers to acquire the company, but that it has not formally decided to adopt any specific measures.

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Table of Contents

April 25, 2005

FOR IMMEDIATE RELEASE

Media Contacts:

Akira Kadota (Tokyo)

International PR

(Tel: +81-3-3578-1237)

Panasonic News Bureau (Tokyo)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

Brendon Gore (Europe)

(Tel: +44-20-8899-2217)

Investor Relations Contacts:

Makoto Mihara (Osaka)

Investor Relations

(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)

Panasonic Finance (America), Inc.

(Tel: +1-212-698-1365)

Norio Iino (Europe)

Panasonic Finance (Europe) plc

(Tel: +44-20-7562-4400)

Matsushita Comments on Media Report

about the Company s Consolidated Net Profit Forecast for Fiscal 2006

Osaka, Japan, April 25, 2005 Matsushita Electric Industrial Co., Ltd. (NYSE symbol: MC) commented on media reports about the company s consolidated financial forecast for the year ending March 31, 2006 (fiscal 2006), which were reported today (April 25, 2005) by the Nihon Keizai Shimbun.

Specifically, the references to net profit doubling from the same period a year ago to 100 billion yen are based on conjecture by the media, and not on any official announcements by Matsushita.

The company currently intends to announce its forecast for fiscal 2006 consolidated results on April 28, 2005, at the same time financial results for fiscal 2005 are announced.

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Table of Contents

April 28, 2005

FOR IMMEDIATE RELEASE

Media Contacts:
Akira Kadota (Tokyo)
International PR
(Tel: +81-3-3578-1237)

Panasonic News Bureau (Tokyo)
(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)
(Tel: +1-201-392-6067)

Brendon Gore (Europe)
(Tel: +44-20-8899-2217)

Investor Relations Contacts:
Makoto Mihara (Japan)
Investor Relations
(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)
Panasonic Finance (America), Inc.
(Tel: +1-212-698-1365)

Norio Iino (Europe)
Panasonic Finance (Europe) plc
(Tel: +44-20-7562-4400)

ANNOUNCEMENT OF FINANCIAL RESULTS

(Note: Dollar amounts for the most recent period have been translated for convenience at the rate of U.S.$1.00 = 107 yen.)

MATSUSHITA REPORTS MARCH 2005 ANNUAL RESULTS

- Digital AV products, Home Appliances Contribute to Earnings Gains -

Osaka, Japan, April 28, 2005 Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]) today reported its annual financial results for the year ended March 31, 2005 (fiscal 2005).

Consolidated Results[1]

Consolidated group sales for fiscal 2005 increased 16%, to 8,713.6 billion yen (U.S.$81.44 billion), from 7,479.7 billion yen in the previous fiscal year. Explaining fiscal 2005 results, the company cited sales gains in digital audiovisual (AV) equipment and home appliances, especially V-products, and the addition of Matsushita Electric Works, Ltd. (MEW), PanaHome Corporation (PanaHome) and their respective subsidiaries to the company s consolidated financial results. Of the consolidated group total, domestic sales increased 32% to 4,580.5 billion yen ($42.81 billion), compared with 3,477.5 billion yen a year ago. Overseas sales were up by 3%, to 4,133.1 billion yen ($38.63 billion), from 4,002.2 billion yen in fiscal 2004. Excluding the effects of currency translation, overseas sales increased 6% from a year ago on a local currency basis[2].

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[1] On April 1, 2004, Matsushita acquired a controlling interest in MEW. As a result, MEW, PanaHome and their respective subsidiaries became consolidated subsidiaries of the company. Fiscal 2005 consolidated results include the results of these subsidiaries on a full consolidated basis. For more information, see Notes 6 and 11 of Notes to consolidated financial statements on pages 13 to 15.

[2] Sales on a local currency basis is not a measure conforming with U.S. generally accepted accounting principles (U.S. GAAP). However, the company believes that this measure is useful to investors in promoting understanding of the company s business conditions by excluding the influence of foreign currency exchange rate fluctuations.

Table of Contents

During the first half of the fiscal year under review, the overall economic situation in Japan was favorable, characterized by increased consumer spending, due mainly to an unusually hot summer and demand related to the Athens Olympics. In the second half, however, concerns arose regarding a downturn in components and devices industries and price declines in digital products, as well as rising raw materials costs, including crude oil prices. Overseas, the global economy slowed somewhat in the second half. The U.S. economy, however, continued steady progress with strong consumer spending, mainly a result of an improved U.S. employment situation. Meanwhile, the economy in China also continued high growth. Accordingly, the global economic situation, as a whole, remained stable.

As the first year of the new mid-term management plan Leap Ahead 21, fiscal 2005 was viewed as a time for the company to implement initiatives to achieve growth and strengthen management structures at each business domain company.

Matsushita strived to enhance profitability in fiscal 2005 by launching a new line of V-products, expanding simultaneous global product introductions and increasing sales of home appliances. Meanwhile, through collaboration activities with MEW, the company integrated overlapping businesses and reformed distribution channels to establish an optimized, customer-oriented business structure. As a result, Matsushita will provide customers all over the world with solutions for comfortable living in the home and office. Other initiatives included the selection and concentration of management resources at each business domain company, the acceleration of business and organizational restructuring, company-wide cost reduction activities and the reduction of total assets, mainly inventories, all aimed at strengthening the company s financial condition.

Table of Contents

Regarding earnings, negative factors such as a strong yen, increased raw materials costs and intensified global price competition were more than offset by sales gains, comprehensive cost reduction efforts and other positive factors. As a result, consolidated operating profit[3] for the year increased 58%, to 308.5 billion yen ($2.88 billion), compared with 195.5 billion yen in the previous year. During fiscal 2005, the company incurred restructuring charges of 93.2 billion yen ($871 million), while recording a 31.5 billion yen ($295 million) gain from the transfer of the substitutional portion of the Employees Pension Funds (EPF) to the Government[4] in certain of the company s subsidiaries. These, and other factors, resulted in a pre-tax income of 246.9 billion yen ($2.31 billion), up 45% from 170.8 billion yen last year. Net income for the full fiscal year totaled 58.5 billion yen ($547 million), an increase of 39% from 42.1 billion yen in the previous year. Net income per common share for the fiscal year was 25.49 yen ($0.24) on a diluted basis, versus a net income per common share of 18.00 yen a year ago.

Consolidated Sales Breakdown by Product Category

Effective April 1, 2004, the company reclassified its previous five product categories (AVC Networks, Home Appliances, Components and Devices, JVC, and Other) into six new product categories to reflect the consolidation of MEW, PanaHome and their respective subsidiaries. The six new product categories are: AVC Networks, Home Appliances, Components and Devices, MEW and PanaHome, JVC, and Other.

The company s annual consolidated sales by reclassified product category, as compared with prior year amounts, are summarized as follows:

AVC Networks

AVC Networks sales decreased 2% to 3,558.8 billion yen ($33.26 billion), compared with 3,624.1 billion yen in the previous year. Within this category, sales of video and audio equipment increased 5% from a year ago, as strong sales in flat-panel TVs, digital cameras, and other digital AV equipment were more than sufficient to offset sluggish sales in VCRs and audio equipment.

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[3] For information about operating profit, see Note 2 of Notes to consolidated financial statements on page 13.

[4] For information about the transfer of the substitutional portion of the EPF to the Government, see Note 7 of Notes to consolidated financial statements on pages 13 and 14.

Table of Contents

Sales of information and communications equipment were down 6% from fiscal 2004. Although increased sales were recorded for PCs and automotive electronics, sales declines in cellular phones for overseas markets in addition to slow sales of telephones and facsimile machines led to an overall decline.

Home Appliances

Sales of Home Appliances increased 2% to 1,217.9 billion yen ($11.38 billion), compared with 1,189.1 billion yen in the previous year. Within Home Appliances, sales gains were achieved through unique products, such as new washer/dryers, while an unusually hot summer in Japan contributed to increased sales of air conditioners and compressors.

Components and Devices

Sales of Components and Devices decreased 3% to 1,112.5 billion yen ($10.40 billion), compared with 1,142.4 billion yen in the previous year. Sales in semiconductors, the key component in digital products, recorded solid gains for the full fiscal year, despite relatively weak sales in the second half. Meanwhile, sales in electric motors and batteries decreased, resulting in overall lower sales in this category.

MEW and PanaHome

Sales of MEW and PanaHome (MEW, PanaHome and their respective subsidiaries) totaled 1,497.6 billion yen ($14.00 billion).

JVC

Sales for JVC (Victor Company of Japan, Ltd. and its subsidiaries) totaled 717.8 billion yen ($6.71 billion), down 11% from 802.7 billion yen a year ago. Although sales in AV equipment increased in the Japanese domestic market, sales were down in the Americas and Europe, with sales of software also down from a year ago.

Other

Sales for Other decreased 16% to 609.0 billion yen ($5.69 billion), from 721.4 billion yen a year ago. Although steady sales were recorded in factory automation (FA) equipment and industrial-use equipment, the reclassification of MEW products (those traditionally sold through the parent company) into a new product category (MEW and PanaHome) resulted in overall lower sales in this category.

Table of Contents

- 5 -

Non-Consolidated (Parent Company Alone) Results

Parent-alone sales increased 2% to 4,145.7 billion yen, from 4,081.4 billion yen in the previous year. Strong sales of the company s V-products, particularly digital AV products and home appliances contributed to overall sales gains.

Regarding parent-alone earnings, the increase in sales and various cost reduction initiatives resulted in a parent-alone operating profit of 88.4 billion yen, up 88% from 46.9 billion yen in fiscal 2004. Recurring profit increased 11% to 116.3 billion yen, compared with 105.2 billion yen in the previous year, mainly a result of an increase in dividend income, and increases in allowances for investment losses. The parent company recorded a non-recurring income of 20.3 billion yen related to the sale of securities, and a non-recurring loss of 34.9 billion yen in restructuring charges. These factors resulted in a parent-alone net income of 73.5 billion yen, up 23% from 59.4 billion yen for fiscal 2004.

Consolidated Financial Condition

Net cash provided by operating activities in fiscal 2005 amounted to 478.4 billion yen ($4.47 billion), primarily attributable to improved net income, an increase in depreciation, and reduction of inventories. Net cash used in investing activities amounted to 178.3 billion yen ($1.67 billion), due mainly to capital expenditures for tangible fixed assets of 352.2 billion yen ($3.29 billion) in priority business areas such as plasma display panel (PDP) TVs and semiconductors, despite an increase in cash resulting from the consolidation of MEW and PanaHome. Net cash used in financing activities was 419.5 billion yen ($3.92 billion). Major factors included repurchase of the company s common stock and repayments of long-term debt. All these activities resulted in cash and cash equivalents of 1,169.8 billion yen ($10.93 billion) at the end of fiscal 2005, whereby the company maintained a healthy cash balance.

The company s consolidated total assets as of March 31, 2005 increased 618.9 billion yen to 8,056.9 billion yen ($75.30 billion), as compared to 7,438.0 billion yen at the end of the last fiscal year (March 31, 2004). The consolidation of MEW and PanaHome led to an increase in assets of 1,043.3 billion yen, while the company implemented initiatives to decrease assets, including reduction of inventories. Stockholders equity increased 92.7 billion yen, as compared with the end of fiscal 2004, to 3,544.3 billion yen ($33.12 billion). This increase was due to an increase in retained earnings and accumulated other comprehensive income, owing to the return to the Government of the substitutional portion of the EPF that resulted in a decrease in minimum pension liability adjustments, despite an increase in treasury stock on continued repurchases of the company s own shares.

Table of Contents

Proposed Year-end Dividend

Total dividends for fiscal 2005, including an interim dividend of 7.50 yen per common share paid in November 2004, are expected to be 15.00 yen per common share, as compared with 14.00 yen for fiscal 2004.

Outlook for Fiscal 2006

Regarding the business environment for the fiscal year 2006, ending March 31, 2006, the company currently expects to encounter severe conditions, such as ever-intensifying price declines and rising raw materials prices, including crude oil prices, as well as uncertainty regarding economic conditions in the United States, Europe and China. Under these circumstances, Matsushita views fiscal 2006 as critical to the success of its Leap Ahead 21 plan for the three-year period ending March 2007. Accordingly, Matsushita is making efforts to achieve the goals of the plan by enhancing product competitiveness and management structures. The company currently expects fiscal 2006 sales on a consolidated basis to total approximately 8,720 billion yen, mostly unchanged from the previous year. Consolidated operating profit is forecasted to increase by about 7% to approximately 330 billion yen. Consolidated income before income taxes[5] is anticipated to increase to approximately 290 billion yen, up 17%, with net income expected to improve to about 110 billion yen, an increase of 88% from the previous fiscal year.

Similarly, on a parent company alone basis, Matsushita expects sales in fiscal 2006 to total 4,150 billion yen, approximately the same level as the previous year. Recurring profit is projected to increase by 16%, to approximately 135 billion yen, and net income is forecasted to increase 50% to approximately 110 billion yen.

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[5] Factors affecting the forecast for other income (deductions) of 40 billion yen (the difference between operating profit and income before income taxes) include business restructuring charges of 35 billion yen and other expenses of 5 billion yen.

Table of Contents

Matsushita Electric Industrial Co., Ltd., best known for its Panasonic brand products, is one of the world s leading manufacturers of electronic and electric products for consumer, business and industrial use. Matsushita s shares are listed on the Tokyo, Osaka, Nagoya, New York, Euronext Amsterdam, and Frankfurt stock exchanges. For more information, please visit the following web sites:

Matsushita home page URL: http://panasonic.co.jp/global/

Matsushita IR web site URL: http://ir-site.panasonic.com/

Disclaimer Regarding Forward-Looking Statements

This press release includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Matsushita and its Group companies (the Matsushita Group). To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Matsushita Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Matsushita Group s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Matsushita undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by Matsushita in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, Asian currencies and other currencies in which the Matsushita Group operates businesses, or in which assets and liabilities of the Matsushita Group are denominated; the ability of the Matsushita Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the ability of the Matsushita Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Matsushita Group to maintain competitive strength in many product and geographical areas; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes and other events that may negatively impact business activities of the Matsushita Group.

(Financial Tables and Additional Information Attached)

Table of Contents

Matsushita Electric Industrial Co., Ltd.

Consolidated Statement of Income *

(Year ended March 31)

	Yen (millions)		Percentage	U.S. Dollars (millions)
	2005	2004	2005/2004	2005
Net sales	¥ 8,713,636	¥ 7,479,744	116%	$ 81,436
Cost of sales	(6,176,046)	(5,313,065)		(57,720)
Selling, general and administrative expenses	(2,229,096)	(1,971,187)		(20,833)
Operating profit	308,494	195,492	158%	2,883
Other income (deductions):				
Interest income	19,490	19,564		182
Dividend income	5,383	5,475		50
Gain from the transfer of the substitutional portion of Japanese Welfare Pension Insurance	31,509	72,228		295
Interest expense	(22,827)	(27,744)		(213)
Restructuring charges **	(93,170)	(45,056)		(871)
Write-down of investment securities	(16,186)	(52,492)		(151)
Other income, net	14,220	3,355		133
Income before income taxes	246,913	170,822	145%	2,308
Provision for income taxes	(153,334)	(98,535)		(1,433)
Minority interests	(27,719)	(19,618)		(259)
Equity in earnings (losses) of associated companies	(7,379)	(10,524)		(69)
Net income	¥ 58,481	¥ 42,145	139%	$ 547
Net income, basic				
per common share	25.49 yen	18.15 yen		$ 0.24
per ADS	25.49 yen	18.15 yen		$ 0.24
Net income, diluted				
per common share	25.49 yen	18.00 yen		$ 0.24
per ADS	25.49 yen	18.00 yen		$ 0.24

(Parentheses indicate expenses, deductions or losses.)

* ** See Notes to consolidated financial statements on pages 13-15.

Change in Retained Earnings *

(Year ended March 31)

	Yen (millions) 2005	Yen (millions) 2004	U.S. Dollars (millions) 2005
Balance at beginning of year	¥ 2,442,504	¥ 2,432,052	$ 22,827
Net income	58,481	42,145	547
Cash dividends	(35,251)	(29,218)	(329)
Transfer from (to) legal reserve	(4,663)	(2,475)	(44)
Balance at end of year	¥ 2,461,071	¥ 2,442,504	$ 23,001

* See Notes to consolidated financial statements on pages 13-15.

Supplementary Information

(Year ended March 31)

	Yen (millions) 2005	Yen (millions) 2004	U.S. Dollars (millions) 2005
Depreciation (tangible assets)	¥ 287,400	¥ 253,762	$ 2,686
Capital investment *	¥ 374,253	¥ 271,291	$ 3,498
R&D expenditures	¥ 615,524	¥ 579,230	$ 5,753
Number of employees (Mar. 31)	334,752	290,493	

* See Notes to consolidated financial statements on pages 13-15.

Table of Contents

Matsushita Electric Industrial Co., Ltd.

Consolidated Balance Sheet **

(March 31, 2005)

	Yen (millions)		U.S. Dollars (millions)
	March 31, 2005	March 31, 2004	March 31, 2005
Assets			
Current assets:			
Cash and cash equivalents	¥ 1,169,756	¥ 1,275,014	$ 10,932
Time deposits	144,781	170,047	1,353
Marketable securities	11,978	2,684	112
Trade receivables (notes and accounts)	1,251,738	1,067,667	11,699
Inventories	893,425	777,540	8,350
Other current assets	558,854	482,025	5,223
Total current assets	4,030,532	3,774,977	37,669
Noncurrent receivables	246,201	280,398	2,301
Investments and advances	1,146,505	1,237,427	10,715
Property, plant and equipment, net of accumulated depreciation	1,658,080	1,209,502	15,496
Other assets	975,563	935,708	9,117
Total assets	¥ 8,056,881	¥ 7,438,012	$ 75,298
Liabilities and Stockholders Equity			
Current liabilities:			
Short-term borrowings	¥ 385,474	¥ 290,208	$ 3,602
Trade payables (notes and accounts)	866,019	784,734	8,094
Other current liabilities	1,577,398	1,494,844	14,742
Total current liabilities	2,828,891	2,569,786	26,438
Long-term debt	477,143	460,639	4,459
Other long-term liabilities	710,654	827,896	6,642
Minority interests	495,941	128,115	4,635
Common stock	258,740	258,740	2,418
Capital surplus	1,230,701	1,230,476	11,502
Legal reserve	87,838	83,175	821
Retained earnings	2,461,071	2,442,504	23,001
Accumulated other comprehensive income (loss) *	(238,377)	(399,502)	(2,228)

Treasury stock	(255,721)	(163,817)	(2,390)
Total liabilities and stockholders equity	¥ 8,056,881	¥ 7,438,012	$ 75,298

* Accumulated other comprehensive income (loss) breakdown:

	Yen (millions)		**U.S. Dollars (millions)**
	March 31, 2005	**March 31, 2004**	**March 31, 2005**
Cumulative translation adjustments	¥ (245,642)	¥ (282,287)	$ (2,296)
Unrealized holding gains of available-for-sale securities	72,608	88,104	679
Unrealized gains of derivative instruments	6,403	6,676	60
Minimum pension liability adjustments	(71,746)	(211,995)	(671)

** See Notes to consolidated financial statements on pages 13-15.

Table of Contents

Matsushita Electric Industrial Co., Ltd.

Consolidated Sales Breakdown *

(Year ended March 31)

	Yen (billions)		Percentage	U.S. Dollars (millions)
	2005	**2004**	**2005/2004**	**2005**
AVC Networks				
Video and audio equipment	¥ 1,482.6	¥ 1,418.1	105%	$ 13,856
Information and communications equipment	2,076.2	2,206.0	94%	19,404
Subtotal	3,558.8	3,624.1	98%	33,260
Home Appliances	1,217.9	1,189.1	102%	11,382
Components and Devices	1,112.5	1,142.4	97%	10,397
MEW and PanaHome	1,497.6			13,996
JVC	717.8	802.7	89%	6,709
Other	609.0	721.4	84%	5,692
Total	¥ 8,713.6	¥ 7,479.7	116%	$ 81,436
Domestic sales	4,580.5	3,477.5	132%	42,809
Overseas sales	4,133.1	4,002.2	103%	38,627

[Domestic/Overseas Sales Breakdown]

(in yen only)

	Domestic sales	Overseas sales

	Yen (billions)	Percentage	Yen (billions)	Percentage
	2005	2005/2004	2005	2005/2004
AVC Networks				
Video and audio equipment	¥ 466.7	113%	¥ 1,015.9	101%
Information and communications equipment	1,046.2	97%	1,030.0	91%
Subtotal	1,512.9	102%	2,045.9	96%
Home Appliances	744.2	97%	473.7	111%
Components and Devices	446.4	96%	666.1	98%
MEW and PanaHome	1,280.2		217.4	
JVC	207.8	85%	510.0	91%
Other	389.0	75%	220.0	107%
Total	¥ 4,580.5	132%	¥ 4,133.1	103%

* See Notes to consolidated financial statements on pages 13-15.

Table of Contents

Matsushita Electric Industrial Co., Ltd.

Consolidated Information by Segments *

(Year ended March 31)

By Business Segment:

	Yen (billions)		Percentage	U.S. Dollars (millions)
	2005	2004	2005/2004	2005
[Sales]				
AVC Networks	¥ 3,858.8	¥ 3,840.3	100%	$ 36,064
Home Appliances	1,332.8	1,223.2	109%	12,456
Components and Devices	1,469.0	1,659.7	89%	13,729
MEW and PanaHome	1,556.1			14,543
JVC	730.2	819.0	89%	6,824
Other	1,027.1	948.7	108%	9,599
Subtotal	9,974.0	8,490.9	117%	93,215
Eliminations	(1,260.4)	(1,011.2)		(11,779)
Consolidated total	¥ 8,713.6	¥ 7,479.7	116%	$ 81,436
[Segment Profit]**				
AVC Networks	¥ 127.4	¥ 129.1	99%	$ 1,191
Home Appliances	77.6	52.7	147%	725
Components and Devices	57.8	50.1	115%	540
MEW and PanaHome	63.9			597
JVC	9.9	24.7	40%	93
Other	38.3	14.7	261%	358
Subtotal	374.9	271.3	138%	3,504
Corporate and eliminations	(66.4)	(75.8)		(621)
Consolidated total	¥ 308.5	¥ 195.5	158%	$ 2,883

By Domestic and Overseas Company Location:

	Yen (billions)		Percentage	U.S. Dollars (millions)
	2005	2004	2005/2004	2005
[Sales]				
Japan	¥ 6,620.0	¥ 5,511.1	120%	$ 61,869
Americas	1,271.6	1,297.2	98%	11,884
Europe	1,072.6	1,027.3	104%	10,024
Asia, China and others	2,445.0	2,176.4	112%	22,851
Subtotal	11,409.2	10,012.0	114%	106,628
Eliminations	(2,695.6)	(2,532.3)		(25,192)
Consolidated total	¥ 8,713.6	¥ 7,479.7	116%	$ 81,436
[Segment Profit]				
Japan	¥ 262.1	¥ 131.8	199%	$ 2,450
Americas	20.8	23.3	90%	194
Europe	7.4	16.3	45%	69
Asia, China and others	75.3	89.7	84%	704
Subtotal	365.6	261.1	140%	3,417
Corporate and eliminations	(57.1)	(65.6)		(534)
Consolidated total	¥ 308.5	¥ 195.5	158%	$ 2,883

* ** See Notes to consolidated financial statements on pages 13-15.

Table of Contents

Matsushita Electric Industrial Co., Ltd.

Consolidated Statement of Cash Flows *

(Year ended March 31)

	Yen (millions)		U.S. Dollars (millions)
	2005	2004	2005
Cash flows from operating activities:			
Net income	¥ 58,481	¥ 42,145	$ 547
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	325,465	278,177	3,042
Net gain on sale of investments	(31,399)	(11,327)	(294)
Provision for doubtful receivables	4,963	3,154	46
Deferred income taxes	56,805	21,160	531
Write-down of investment securities	16,186	52,492	151
Impairment loss on long-lived assets	29,519	11,666	276
Minority interests	27,719	19,618	259
(Increase) decrease in trade receivables	61,207	35,248	572
(Increase) decrease in inventories	84,405	(37,016)	789
(Increase) decrease in other current assets	14,649	13,450	137
Increase (decrease) in trade payables	(74,276)	87,226	(694)
Increase (decrease) in accrued income taxes	(3,422)	12,254	(32)
Increase (decrease) in accrued expenses and other current liabilities	(10,736)	10,782	(100)
Increase (decrease) in retirement and severance benefits	(99,499)	(67,332)	(930)
Other	18,368	17,435	171
Net cash provided by operating activities	¥ 478,435	¥ 489,132	$ 4,471
Cash flows from investing activities:			
Proceeds from sale of short-term investments	6,117		57
Purchase of short-term investments	(9,001)	(702)	(84)
Proceeds from disposition of investments and advances	101,374	68,468	948
Increase in investments and advances	(133,636)	(207,869)	(1,249)
Capital expenditures	(352,203)	(275,544)	(3,291)
Proceeds from sale of fixed assets	78,131	113,008	730
(Increase) decrease in finance receivables	26,823	30,697	251
(Increase) decrease in time deposits	27,748	202,808	259
Inflows due to acquisition of additional shares of newly consolidated subsidiaries, net of cash paid	82,208		768
Other	(5,857)	(16,311)	(55)
Net cash used in investing activities	¥ (178,296)	¥ (85,445)	$ (1,666)

Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(8,009)	(39,577)	(75)
Increase (decrease) in deposits and advances from customers and employees	(139,134)	(15,787)	(1,300)
Proceeds from long-term debt	119,422	108,026	1,116
Repayments of long-term debt	(251,554)	(228,039)	(2,351)
Dividends paid	(35,251)	(29,218)	(329)
Dividends paid to minority interests	(14,765)	(4,675)	(138)
Repurchase of common stock	(92,879)	(69,394)	(868)
Sale of treasury stock	1,324		12
Other	1,395	5,963	13
Net cash used in financing activities	¥ (419,451)	¥ (272,701)	$ (3,920)
Effect of exchange rate changes on cash and cash equivalents	14,054	(23,442)	131
Net increase (decrease) in cash and cash equivalents	(105,258)	107,544	(984)
Cash and cash equivalents at beginning of year	1,275,014	1,167,470	11,916
Cash and cash equivalents at end of year	¥ 1,169,756	¥ 1,275,014	$ 10,932

* See Notes to consolidated financial statements on pages 13-15.

Table of Contents

Notes to consolidated financial statements:

1. The company s consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit is presented as net sales less cost of sales and selling, general and administrative expenses. The company believes that this is useful to investors in comparing the company s financial results with those of other Japanese companies. Please refer to the accompanying consolidated statement of income and Note 5 for U.S. GAAP reconciliation.

3. The company defines Capital investment as purchases of property, plant and equipment on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates. The company has included the information concerning capital investment because its management uses this indicator to manage its capital expenditures and it believes that such indicator is useful to investors to present accrual basis capital investments in addition to the cash basis information in its consolidated cash flow statement.

The following table shows a reconciliation of capital investment to purchases of property, plant and equipment and intangible and other assets:

	Yen (millions)	
	Fiscal year ended March 31,	
	2005	2004
Purchases of property, plant and equipment shown as capital expenditures in consolidated statements of cash flows	352,203	275,544
Effects of timing difference between acquisition dates and payment dates	22,050	(4,253)
Capital investment	374,253	271,291

4.

Comprehensive income was reported as a gain of 219,606 million yen ($2,052 million) for fiscal 2005, and a gain of 348,285 million yen for fiscal 2004. Comprehensive income includes net income and increases (decreases) in cumulative translation adjustments, unrealized holding gains (losses) of available-for-sale securities, unrealized gains (losses) of certain derivative instruments and minimum pension liability adjustments.

5. Restructuring charges in Other income (deductions) of the consolidated statements of income for fiscal 2005 and fiscal 2004 include expenses associated with the implementation of early retirement programs at certain domestic companies. Under U.S. generally accepted accounting principles, these charges are included as part of operating profit in the statement of income.

6. On April 1, 2004, the company acquired 19.2% of the issued common shares of MEW through a tender offer, of which the company had a 31.8% equity ownership until then, to obtain its controlling interest. This acquisition also resulted in another acquisition of controlling interest of PanaHome because both the company and MEW have 27% equity ownership. The acquired assets and assumed liabilities on April 1, 2004 are as shown below. As a result, the total assets at the beginning of the period increased 1,043,282 million yen, the balance that deducts 343,844 million yen, the company s new basis of investment in MEW and PanaHome upon the acquisition of additional shares, from 1,387,126 million yen, the total assets acquired.

	Yen (millions)
Current assets	¥ 658,544
Property, plant and equipment	440,584
Other assets	287,998
Total assets acquired	1,387,126
Current liabilities	335,899
Noncurrent liabilities	419,803
Total liabilities assumed	755,702
Minority interests	287,580
Net assets acquired	¥ 343,844

7. Employees Pension Funds in certain of the company s subsidiaries obtained approvals from Japan s Ministry of Health, Labour and Welfare (the Ministry) for exemption from the past benefit obligation with respect to the portion of the Employees Pension Funds that certain of the company s subsidiaries operated for the Government (the so-called substitutional portion), and transferred the substitutional portion to the Government in fiscal 2005. The gain of 31,509 million yen for fiscal 2005 from the transfer of the substitutional portion of the Japanese Welfare Pension Insurance is reported as other income in the consolidated statement of income.

Table of Contents

Matsushita Electric Welfare Pension Funds and Employees Pension Funds in the company s subsidiaries obtained approval from the Ministry for exemption from the past benefit obligation with respect to the substitutional portion and transferred it to the Government in December 2003. Income related to the transfer of the substitutional portion of the Employees Pension Funds is reported as other income of 72,228 million yen for fiscal 2004 in the consolidated statement of income.

8. On April 1, 2005, Matsushita transferred 2,707 thousand shares of Matsushita Leasing & Credit Co., Ltd. (MLC) to The Sumitomo Trust & Banking Co., Ltd. (STB) pursuant to a basic agreement regarding the equity ownership of MLC concluded between the company and STB. As a result of the transfer, Matsushita now owns 34% of MLC s total issued shares. MLC (scheduled to be renamed Sumishin Matsushita Financial Services Co., Ltd. on May 1, 2005) was changed from a consolidated subsidiary to an equity method company of Matsushita as of April 1, 2005.

9. With the aim of maximizing shareholder value, the Board of Directors today approved plans to increase total cash dividends per share and own share repurchases for fiscal 2006, ending March 2006. Also, the Board of Directors today decided to adopt a policy toward large-scale purchases of Matsushita shares (ESV* Plan).

For fiscal 2006, Matsushita plans to increase total dividends per share to 20.00 yen, as compared with the planned 15.00 yen for fiscal 2005. The company will continue to repurchase the company s own shares, up to 120 million shares for a maximum of 150 billion yen in fiscal 2006, to enhance shareholder value per share.

Under the basic philosophy that shareholders should make final decisions regarding large-scale purchases of Matsushita shares, sufficient information should be provided through the Board of Directors to shareholders if a large-scale purchase is to be conducted. Under the above-mentioned basic philosophy, the Board of Directors decided to adopt a new rule applicable to large-scale purchasers who intend to acquire 20% or more of all voting rights of Matsushita. The new rules require that (i) a large-scale purchaser provide sufficient information to the Board of Directors before a large-scale purchase is to be conducted and (ii) after all required information is provided, the Board of Directors should be allowed a sufficient period of time during which it will assess, examine, negotiate, form an opinion and seek alternatives. In the event of non-compliance with such rules by a prospective large-scale purchaser, the Board of Directors may take countermeasures.

For further details, see separate press release issued today Matsushita Announces Policy toward Large-scale Purchases of Matsushita Shares (ESV plan).

*ESV stands for Enhancement of Shareholder Value

10. Regarding consolidated segment profit, expenses for basic research and administrative expenses at the corporate headquarters level are treated as unallocatable expenses for each business segment, and are included in Corporate and eliminations.

11. The company s business segments are classified according to a business domain-based management system, which focuses on global consolidated management by each business domain, in order to ensure consistency of its internal management structure and disclosure. MEW, PanaHome and their respective subsidiaries became consolidated subsidiaries of the company on April 1, 2004. Accordingly, a new segment, MEW and PanaHome, has been added to the company s business segment classifications from this fiscal year (fiscal 2005).

Table of Contents

Principal internal divisional companies or units and subsidiaries operating in respective segments are as follows:

AVC Networks:

Panasonic AVC Networks Company, Panasonic Communications Co., Ltd.,

Panasonic Mobile Communications Co., Ltd., Panasonic Automotive Systems Company,

Panasonic System Solutions Company, Matsushita Kotobuki Electronics Industries, Ltd.

Home Appliances:

Home Appliances Group, Healthcare Business Company, Lighting Company,

Matsushita Ecology Systems Co., Ltd.

Components and Devices:

Semiconductor Company, Matsushita Battery Industrial Co., Ltd.,

Matsushita Electronic Components Co., Ltd., Motor Company

MEW and PanaHome:

Matsushita Electric Works, Ltd., PanaHome Corporation

JVC:

Victor Company of Japan, Ltd.

Other:

Panasonic Factory Solutions Co., Ltd., Matsushita Industrial Information Equipment Co., Ltd.

12. Number of consolidated companies: 628

13. Number of companies reflected by the equity method: 66

14. United States Dollar amounts are translated from yen for convenience at the rate of U.S. $1.00 = 107 yen, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2005.

15. Each American Depositary Share (ADS) represents 1 share of common stock.

Table of Contents

Significant Accounting Policies:

1. Basis of Presentation of Consolidated Financial Statements
The company s consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. See Note 2 of Notes to consolidated financial statements on page 13.

2. Inventories
Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out basis, not in excess of current replacement cost.

3. Marketable Securities
The company accounts for debt and equity securities in accordance with Statement of Financial Accounting Standards (SFAS) No.115, Accounting for Certain Investments in Debt and Equity Securities.

4. Property, Plant and Equipment, and Depreciation
Property, plant and equipment is stated at cost. Depreciation is computed primarily using the declining balance method.

5. Leases
The company accounts for leases in accordance with SFAS No. 13, Accounting for Leases.

6. Income Taxes
Income taxes are accounted for under the asset and liability method. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the fiscal year that includes the enactment date.

7. Retirement and Severance Benefits

The company and most of its domestic subsidiaries maintain defined benefit pension plans such as point-based benefits system and cash balance pension plans. Several of its domestic subsidiaries have lump-sum payment plans, while several overseas subsidiaries also maintain defined benefit pension plans.

The company accounts for retirement and severance benefits in accordance with SFAS No. 87, Employer s Accounting for Pensions. The transfer of the substitutional portion of Japanese Welfare Pension Insurance is accounted for in accordance with the Emerging Issues Task Force (EITF) Issue 03-2, Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities.

8. Derivative Financial Instruments

The company accounts for derivative financial instruments in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities.

Table of Contents

Matsushita Electric Industrial Co., Ltd.

Consolidated Information of Marketable Securities *

(March 31, 2005)

	Yen (millions)					
	March 31, 2005			March 31, 2004		
	Cost	Fair value	Gross unrealized holding gains (losses)	Cost	Fair value	Gross unrealized holding gains (losses)
Current						
Equity securities						
Bonds	5,035	5,035		1,000	1,001	1
Other debt securities	6,943	6,943		1,683	1,683	
Sub-total	¥ 11,978	¥ 11,978	¥	¥ 2,683	¥ 2,684	¥ 1
Noncurrent						
Equity securities	228,202	392,903	164,701	217,470	398,425	180,955
Bonds	71,844	72,104	260	8,254	8,229	(25)
Other debt securities	18,258	18,282	24	10,071	10,071	
Sub-total	¥ 318,304	¥ 483,289	¥ 164,985	¥ 235,795	¥ 416,725	¥ 180,930
Total	¥ 330,282	¥ 495,267	¥ 164,985	¥ 238,478	¥ 419,409	¥ 180,931

* The statement of marketable securities represents (presented in yen only) marketable equity securities other than investments in associated companies and all debt securities in accordance with SFAS No.115 Accounting for Certain Investments in Debt and Equity Securities.

Matsushita Group

1. Outline of the Matsushita Group

Described below are the Matsushita Group s primary business areas, roles of major Group companies in respective businesses and relations between major Group companies and business segments.

The Matsushita Group, mainly comprising Matsushita Electric Industrial Co., Ltd. and 627 consolidated subsidiaries, is engaged in manufacturing, sales and service activities in a broad range of electric/electronic and related business areas, maintaining close ties among Group companies both in Japan and abroad. Matsushita supplies a full spectrum of electric/electronic equipment and related products, which has been categorized into the following six segments: AVC Networks, Home Appliances, Components and Devices, MEW and PanaHome, JVC, and Other.

* For major product lines in each segment, please refer to Details of Product Categories on page 19.

2. Business Domain Chart

Table of Contents

Details of Product Categories

AVC Networks

CRT, PDP and LCD TVs, VCRs, camcorders, digital cameras, DVD players, DVD recorders, compact disc (CD), Mini Disc (MD) and SD players, other personal and home audio equipment, AV and computer product devices, prerecorded AV software, broadcast- and business-use AV equipment and systems, PCs, CD-ROM, DVD-ROM/RAM and other optical disk drives, SD Memory Cards, other data storage devices, copiers, printers, telephones, cellular phones and other mobile communications equipment, facsimile equipment, car AVC equipment, traffic-related systems, communications network-related equipment, other information and communications equipment and systems, etc.

Home Appliances

Refrigerators, room air conditioners, washing machines, clothes dryers, vacuum cleaners, electric irons, microwave ovens, cooking appliances, dishwasher/dryers, electric fans, air purifiers, heating equipment, kitchen fixture systems, electric, gas and kerosene hot water supply equipment, bath and sanitary equipment, healthcare equipment, electric lamps, ventilation and air-conditioning equipment, car air conditioners, compressors, vending machines, etc.

Components and Devices

Semiconductors, general components (capacitors, resistors, coils, speakers, power supplies, electro-mechanical components, high frequency components, printed circuit boards, etc.), magnetic recording heads, electric motors, dry batteries, rechargeable batteries, etc.

MEW and PanaHome

Lighting fixtures, wiring devices, distribution panelboards, personal-care products, healthy-life products, exterior and interior furnishing materials, bathroom units, molding compounds, laminates, relays, connectors, housings, etc.

JVC

VCRs, camcorders, CRT, LCD and PDP TVs, stereo hi-fi and related equipment, car audio, DVD players, DVD recorders, CD radio cassette recorders, video projectors, motors, display components, AV software for DVD, CD and video tapes, recordable media, house furnishings, etc.

Other

Electronic-parts-mounting machines, industrial robots, electronic measuring instruments, welding equipment, power distribution equipment, elevators, escalators, bicycles, leasing and credit operations, imported materials and components, etc.

Table of Contents

Please Note: The following are financial statements on a parent company alone basis (provided in yen only), which are in conformity with Japanese generally accepted accounting principles, and should not be confused with the aforementioned consolidated results.

Matsushita Electric Industrial Co., Ltd.

(Parent Alone)

Statement of Income

(Year ended March 31)

	Yen (millions)		Percentage
	2005	2004	2005/2004
Net sales	¥ 4,145,654	¥ 4,081,485	102%
Cost of sales	(3,368,926)	(3,347,349)	
Selling, general and administrative expenses	(688,335)	(687,142)	
Operating profit	88,393	46,993	188%
Interest income	2,529	5,662	
Dividend income	63,593	64,634	
Other income	38,914	32,240	
Interest expense	(8,499)	(16,533)	
Other expenses	(68,650)	(27,795)	
Recurring profit	116,280	105,201	111%
Non-recurring profit	28,970	17,601	
Non-recurring loss	(38,052)	(38,733)	
Income before income taxes	107,198	84,069	128%
Provision for income taxes			
Current	7,857	7,463	
Deferred	25,888	17,107	
Net income	¥ 73,453	¥ 59,499	123%
Unappropriated retained earnings at beginning of period	41,012	40,467	
Interim dividend	(17,284)	(14,473)	
Unappropriated retained earnings at end of period	97,181	85,493	

Notes to parent-alone financial statements:

1. From this fiscal year (fiscal 2005), amounts less than 1 million yen have been rounded to the nearest whole million yen amount in the accompanying parent-alone financial statement. Previously, amounts less than 1 million yen were omitted in parent-alone financial statements. Above figures for fiscal 2004 are based on the previous calculation method.

2. Similarly, in the descriptions on pages 5 and 22 regarding parent-alone results and parent-alone sales breakdown, amounts less than one-tenth of a billion yen are rounded to the nearest whole billion yen amount.

3. Non-recurring profit for fiscal 2005 includes 20,311 million yen related to the sale of securities, and 8,172 million yen as a result of the sale of certain fixed assets. Non-recurring loss for fiscal 2005 includes 34,915 million yen for business restructuring expenses such as losses associated with the employment structural reform of several domestic businesses.

4. From this fiscal year (fiscal 2005), the company changed its sales categories to five new categories: AVC Networks, Home Appliances, Components and Devices, MEW products, and Other, in line with the reclassification made to the consolidated sales breakdown upon the consolidation of MEW. Accordingly, sales of several MEW products which were previously included in the Other category have been transferred to the new MEW Products category.

5. On April 1, 2005, Matsushita absorbed Matsushita Industrial Information Equipment Co., Ltd. (MIIE), pursuant to a basic agreement regarding the merger between the company and MIIE.

6. On April 1, 2005, Matsushita transferred building materials and equipment business of Corporate Housing Equipment Sales Division of Matsushita Home Appliances Company to MEW, pursuant to a basic business transfer agreement between the company and MEW. Furthermore, Matsushita absorbed MEW s sales functions of home appliances and other MEW products, pursuant to a basic business division agreement between the company and MEW.

7. Net income per common share:

	2005	2004
Basic	31.90 yen	25.52 yen
Diluted		25.18 yen

Net income per common share (diluted) for fiscal 2005 is omitted because the company does not hold any dilutive securities.

Table of Contents

- 21 -

Matsushita Electric Industrial Co., Ltd.

(Parent Alone)

Balance Sheet *

(March 31, 2005)

	Yen (millions)	
	March 31, 2005	**March 31, 2004**
Assets		
Current assets:		
Cash and deposits	¥ 449,124	¥ 763,116
Trade receivables (notes and accounts)	512,017	576,008
Inventories	164,053	192,268
Other current assets	516,436	522,881
Total current assets	1,641,630	2,054,274
Fixed assets:		
Tangible fixed assets	391,514	400,744
Intangibles	27,577	29,788
Investments and advances	2,859,819	2,733,127
Total fixed assets	3,278,910	3,163,660
Total assets	¥ 4,920,540	¥ 5,217,934
Liabilities and Shareholders Equity		
Current liabilities:		
Trade payables (notes and accounts)	¥ 435,491	¥ 474,138
Accrued income taxes	3,427	670
Other current liabilities	1,246,183	1,410,907
Total current liabilities	1,685,101	1,885,715
Long-term debt and employee retirement and severance benefits	455,690	492,863
Total liabilities	2,140,791	2,378,579
Shareholders equity:		
Capital	258,740	258,740
Capital surplus	571,848	571,623
Retained earnings	2,121,787	2,083,833
Unrealized holding gains of available-for-sale securities	83,817	88,976

Treasury stock	(256,443)	(163,817)
Total shareholders equity	2,779,749	2,839,355
Total liabilities and shareholders equity	¥ 4,920,540	¥ 5,217,934

* See Notes to parent-alone financial statements on page 20.

Table of Contents

- 22 -

Matsushita Electric Industrial Co., Ltd.

(Parent Alone)

Proposed Allocation of Income *

(Year ended March 31)

	Yen (millions)	
	2005	**2004**
Unappropriated retained earnings at end of year	¥ 97,181	¥ 85,493
To be allocated as follows:		
Year-end dividends	16,938	17,967
[per common share]	[7.50 yen]	[7.75 yen]
Directors bonuses	240	230
Corporate auditors bonuses	18	17
Reserve for advanced depreciation	199	2,267
Contingency reserve	36,000	24,000
Unappropriated retained earnings carried forward to next period	¥ 43,786	¥ 41,011

* See Notes to parent-alone financial statements on page 20.

Matsushita Electric Industrial Co., Ltd.

(Parent Alone)

Sales Breakdown *

(Year ended March 31)

	Yen (billions)		Percentage
	2005	**2004**	**2005/2004**
AVC Networks			

Video and audio equipment	¥ 802.4	¥ 725.9	111%
Information and communications equipment	977.0	1,088.6	90%
Subtotal	1,779.4	1,814.6	98%
Home Appliances	768.9	740.4	104%
Components and Devices	849.2	882.7	96%
MEW Products	41.2		
Other	707.0	643.5	110%
Total	¥ 4,145.7	¥ 4,081.4	102%
Domestic sales	2,447.5	2,440.6	100%
Exports	1,698.2	1,640.7	104%

* See Notes to parent-alone financial statements on page 20.

Table of Contents

Management Policy

(1) Basic Policy for Corporate Management

Since its establishment, Matsushita has operated its businesses under its basic management philosophy, which sets forth that the mission of a business enterprise is contributing to the progress and development of society and the well-being of people through its business activities, thereby enhancing the quality of life throughout the world. Matsushita, as a public entity, is committed to its relationships with all stakeholders.

(2) Basic Policy for Providing Return to Shareholders

Since the company s founding, Matsushita has managed its businesses in a manner reflecting the company s belief in the importance of profit return to shareholders. Historically, Matsushita has distributed dividends at a consistent level to shareholders. In fiscal 2005, ended March 2005, however, along with the implementation of a new mid-term growth strategy, Matsushita changed the company s policy regarding returns to shareholders, which historically emphasized a stable level of dividends, to a new policy which takes into consideration its consolidated business performance.

Specifically, Matsushita will provide return to shareholders through dividend payments and own share repurchases, upon careful consideration of consolidated cash flows.

1) Dividends:

From the perspective of return on the capital investment made by shareholders, Matsushita will, in principle, distribute profits to shareholders based on its consolidated business performance. Matsushita also aims for promoting stable and continuous growth of return to shareholders, while at the same time taking into consideration various factors including mid-term business performance, capital expenditure requirements and the company s financial condition.

2) Own share repurchases:

Matsushita will provide return to shareholders by enhancing shareholder value per share through a reduction, in effect, of the number of outstanding shares. This will be accomplished by repurchasing the company s own shares with surplus cash flows.

In line with the policy described above, for fiscal 2005 Matsushita distributed an interim cash dividend of 7.50 yen per common share, and also plans to pay 7.50 yen per common share as the year-end cash dividend, subject to approval at the company s ordinary general meeting of shareholders to be held in June 2005. If implemented, total cash dividends for fiscal 2005 will be 15.00 yen per common share, or a dividend payout ratio of 47.0%.

For details about own share repurchases and annual dividends for fiscal 2006, ending March 2006, see separate press releases issued today, Matsushita to Execute Own Share Repurchase and Matsushita Announces Plans to Increase Dividends for Fiscal 2006.

Table of Contents

(3) Company s Policy on Reduction of the Share Trading Unit Size

Amendments to the Japanese Commercial Code that took effect in October 2001 allow listed companies to reduce the number of shares per unit for trading (share trading unit) on stock markets in Japan. Matsushita has given careful consideration as to whether or not it should avail itself to this eased restriction, but as of today, the company believes it is too early to do so. Recognizing the importance of increased participation in capital markets by individual investors, Matsushita, over the years, has implemented various measures with individual shareholders in mind. Some of these include renewal of the company s investor relations website, more detailed business reports to shareholders and improved general shareholder meeting arrangements. Since Matsushita is aware that a reduction in the share trading unit size is an effective method for broadening its individual shareholder base, the company will continue to discuss and evaluate possible benefits resulting from a reduction in the share trading unit size.

(4) Corporate Management Strategies and Challenges

The Matsushita Group aims to achieve, through cutting-edge technologies, global excellence in 2010 by pursuing the two visions of contributing to the realization of a ubiquitous networking society and coexistence with the global environment. The company therefore views fiscal 2006 as critical to the success of the new management plan Leap Ahead 21 for the three-year period ending March 2007. Accordingly, Matsushita will make efforts aimed at achieving the goals of the plan by accelerating growth and building corporate strength.

<Major Activities Undertaken in Fiscal 2005>

As the first year of the mid-term plan, fiscal 2005 was viewed as a time for the company to strengthen management structures within each of the various business domains and implement initiatives that would result in sustainable growth. The following are results achieved in fiscal 2005.

- Matsushita aggressively launched a new line of V-products to capture top shares in high-volume markets and make a significant contribution to overall business results. At the same time, the company strengthened company-wide marketing efforts for these products. Matsushita also increased global sales of digital AV equipment, notably PDP TVs and digital cameras, primarily through simultaneous global product introductions. In home appliances, such products as unique washer/dryers with a tilted drum and oxygen enriching air conditioners enjoyed steady sales gains in Japan.

Table of Contents

- Through collaboration activities with MEW, the two companies unified brands and product designs, opened joint showrooms and introduced a series of Collaboration V-products that incorporate black-box technologies of both companies. Matsushita and MEW also integrated overlapping businesses in the areas of electrical supplies, building materials and equipment, home appliances and industrial equipment, and reformed distribution channels to establish an optimized, customer-oriented operational structure. Through such collaboration, Matsushita will provide customers all over the world with solutions for comfortable living in the home and office.
- The company carried out structural reforms through selection and concentration of management resources into priority areas and restructuring of locations. These reforms were carried out autonomously by each business domain company. Meanwhile, efforts to reduce material procurement costs and other expenses, including a company-wide Cost Busters Project, have enhanced profitability. Matsushita made all-out efforts to reduce inventories, thereby strengthening the company s financial condition.

<Principal Initiatives for Fiscal 2006>

1. Product Strategy

Essential to Matsushita s overall product strategy are V-products. For fiscal 2006 Matsushita intends to continuously develop V-products with emphasis on the creation of black-box technologies, universal design concepts and eco-friendly innovations, with sales expected to reach 1.5 trillion yen in 67 product categories. The company will also expand simultaneous global product introductions to include more models in a wide variety of product categories. Furthermore, Matsushita will promote digital AV equipment such as flat-panel TVs, DVD recorders and digital cameras in global markets, while aggressively marketing unique washer/dryers and other high value-added products.

2. R&D and Intellectual Property Strategies

Matsushita places top priority on becoming a technology- and intellectual property-oriented company, where new products based on proprietary black-box technologies lead to enhanced business results. To this end, the company is concentrating management resources into technologies for the next decade, such as fuel cell co-generation systems and other cutting-edge fields. In fiscal 2006 Matsushita will significantly increase product development speed thanks to the new UniPhier™ system LSI. UniPhier™ is a unified platform that integrates hardware and software for a wide range of digital products. Matsushita expects this new platform to result in product R&D that is at least five times more efficient than traditional non-platform R&D. Regarding intellectual properties, the company will continue to strengthen the competitiveness of its businesses worldwide by strategically utilizing the results of R&D in the form of patent applications and patent rights on a global basis.

Table of Contents

3. Investment Strategy

Matsushita will continue to focus investment into strategic businesses, including semiconductors, particularly advanced system LSIs, which are the key components in digital products, and PDP TVs, for which global demand is expected to increase significantly. In semiconductors, Matsushita is investing approximately 130 billion yen from fiscal 2005 in a new factory for state-of-the-art system LSIs in Uozu, Japan, where operations are expected to begin at the end of 2005. The company is also investing some 95 billion yen from fiscal 2005 in a new PDP factory in Amagasaki, Japan, where operations are expected to begin in autumn of 2005. Including the new factory, Matsushita s total PDP production capacity will increase to 4.8 million units per year by March 2007, thereby further augmenting one of the world s largest manufacturing operations.

4. Overseas Strategy

Matsushita will continue initiatives to strengthen overseas operations, which the company views as a growth engine contributing to overall enhanced profitability. China, in particular, is key to achieving growth overseas. In this market, the company aims for sales of approximately 1 trillion yen in fiscal 2007. To achieve this goal, Matsushita is developing and launching high value-added products, placing greater emphasis on sales at high-volume retailers and augmenting the company s IT infrastructures.

5. Collaboration with MEW

Through collaboration with MEW, Matsushita will strategically utilize the management resources of both companies. Specifically, Matsushita will provide customers with solutions for comfortable living through the successive launch of Collaboration V-products and the establishment of a systems solutions business, including security and energy control management, effectively integrating the technologies, products and services of both Matsushita and MEW.

6. Strengthened Management Structure

Matsushita will implement the Next Cell Production Project to improve cost competitiveness, while minimizing inventories, thus strengthening its management structure and increasing profitability through a Second Corporate Cost Busters Project to eliminate redundancies throughout all areas.

Table of Contents

(5) Corporate Governance, Concept and Initiatives

1. Corporate Governance Structure

[The Board of Directors and Executive Officer System]

Under its basic philosophy of contributing to society as a public entity, Matsushita has long been committed to enhancing its corporate governance. As such, it was one of the first Japanese companies to invite Outside Directors to serve on its Board of Directors, and also established an Advisory Board comprised of distinguished outside leaders. In fiscal 2004, ended March 2004, Matsushita implemented reforms to establish an optimum management and governance structure tailored to the group s new business domain-based organizational structure. Under the new structure, Matsushita has empowered each of its business domain companies through delegation of authority. At the same time, the company set up an Executive Officer System to provide for the execution of business at its various domestic and overseas group companies. This facilitates the development of optimum corporate strategies that integrate the group s comprehensive strengths. In addition, Matsushita realigned the role and structure of the Board of Directors to ensure swift and strategic decision-making, as well as the optimum monitoring of group-wide matters. Specifically, the Board of Directors can now concentrate on corporate strategies and the supervision of business domain companies, while Executive Officers handle responsibilities relating to day-to-day operations. Taking into consideration the diversified scope of its business operations, Matsushita has opted to maintain a system where Executive Officers, who are most familiar with the specifics of their respective operations, take an active part in the Board of Directors. To clarify the responsibilities of Directors and create a more dynamic organization, the company has limited the term of each Director to one year.

[Corporate Auditors and the Board of Corporate Auditors]

Pursuant to the Commercial Code of Japan and the relevant laws and ordinances, Matsushita has established a Board of Corporate Auditors, which monitors the status of corporate governance and keeps abreast of the day-to-day activities of management, including the Board of Directors. Corporate Auditors participate in shareholder meetings and Board of Directors meetings, and have legal authority to receive reports from directors, employees and accounting auditors. Full-time Senior Auditors also attend important management meetings and conduct checks in order to ensure effective monitoring. To augment the internal auditing functions in business domain companies, Matsushita has assigned Full-time Auditors at each internal divisional company. It also inaugurated regular Group Auditor Meetings to enhance their collaboration with the Corporate Auditors at Matsushita subsidiaries.

Table of Contents

Corporate Governance Structure

<Functions of Board of Directors, Executive Officers, and Board of Corporate Auditors>

<Structure of Board of Directors, Executive Officers, and Board of Corporate Auditors>

2. Internal Control Structure

[Corporate Business Ethics and Compliance]

In 1992, Matsushita formulated its Code of Conduct, a set of guidelines explaining the company s business philosophy in an easy-to-understand manner. After a revision in 1998, the Code was again amended to the Code of Conduct of the Matsushita Group in January 2005, making it more applicable to global- and group-wide operations from the standpoint of corporate social responsibility (CSR). The Code now applies to all Directors, Executive Officers, and employees of the Matsushita Group. Moreover, Directors and Executive Officers in charge of ensuring observance of the code were appointed at each group company. In February 2004, the company established a Code of Ethics for Directors and Executive Officers. Matsushita also set up a Corporate Business Ethics Hotline, enabling employees to get advice on work-related and other matters.

In March 2003, the company established a Corporate Compliance Committee chaired by the President, and composed of Directors and Corporate Auditors. It also compiled an in-house handbook, called the Corporate Compliance Guide, as a concise guidebook explaining the rules and regulations. Matsushita is making concerted efforts to increase awareness of these rules and regulations among all employees. With respect to information security, in January 2004, Matsushita established the Corporate Information Security Division as part of efforts to effectively manage information and ensure the proper education and training of all Directors, Executive Officers and employees.

[Risk Management]

Matsushita faces a wide variety of risks, and continues to reinforce its risk management capabilities accordingly. In April 2005, the company established the Global and Group (G&G) Risk Management Committee, thus reforming the framework for collecting and evaluating risk information across the group on a global basis. Under this framework, the company will establish a risk management committee to undertake the unified collection of risk-related information from each business domain company and regional headquarters. Matsushita will thus continue strengthening risk management to assure swift and appropriate responses to risk.

[Internal Controls over Financial Reporting]

Matsushita has documented appropriate systems and procedures in its operations, from the control environment up to actual internal control activities. In each business domain company, it has appointed Internal Auditing Managers, who check the compliance status and effectiveness of internal controls. These activities are supervised by the Corporate Internal Auditing Group in order to ensure the reliability of each company s financial reporting. In fiscal 2005, the company reinforced its internal controls by implementing self-checks and self-assessment programs, in addition to regular internal auditing, in each business domain company.

[Establishment of Information Disclosure Structure and Execution of Accountability]

To enhance transparency and ensure the accountability of its business, the company established the Disclosure Committee, consisting of managers from departments that handle relevant information. The Committee checks the propriety of statements and descriptions in the company s annual securities report submitted to the Japanese regulatory authorities, the annual report on Form 20-F and the annual report for all stakeholders, while confirming the appropriateness and effectiveness of disclosure controls and procedures.

[Accounting Audit]

As of March 31, 2005, the company has a contract with KPMG AZSA & Co., which is in charge of conducting accounting audits of the company.

Names of the certified public accountants in charge of accounting audits of the company and the audit corporation they are employed by are as follows:

Name of certified public accountants in charge of accounting audits of the company		Name of Audit Corporation	Consecutive years of auditing
Designated Partner		KPMG AZSA & Co.	1 year
Engagement Partner	Yasumi Katsuki		
Designated Partner		KPMG AZSA & Co.	10 years
Engagement Partner	Masahiro Mekada		
Designated Partner		KPMG AZSA & Co.	2 years
Engagement Partner	Tsuyoshi Takeuchi		

Accounting audits of the company are performed by 31 certified public accountants, 30 junior accountants and 3 other staff members.

3. Overview of Relationship among the Company, Outside Directors, and Outside Corporate Auditors in regard to Personal, Capital, and Business Relationships

As of March 31, 2005, the company has two Outside Directors and two Outside Corporate Auditors. At present, there are no special interests between the company and those Outside Directors and Corporate Auditors.

Table of Contents

4. Policy toward Large-scale Purchases of Matsushita Shares

With the aim of maximizing shareholder value, Matsushita implements shareholder-oriented management. The company established a new policy regarding large-scale purchases of the company s shares in light of the protection of the interests of all shareholders. If a large-scale purchase of Matsushita shares is to be conducted, Matsushita requires the prospective large-scale purchasers to provide sufficient information and to grant Matsushita s Board of Directors a sufficient period of time to assess the information so provided. The Board of Directors will assess and examine the proposed large-scale purchase for the benefit of all shareholders of Matsushita, and carefully form and disclose its opinion. The Board of Directors will also provide shareholders with information as necessary so that they may make appropriate decisions in regards to the proposed large-scale purchase. In addition, Matsushita s Board of Directors may, as it deems necessary, negotiate with prospective large-scale purchasers to improve the terms of the proposal or offer alternative plans to shareholders.

For further details, see separate press release issued today, Matsushita Announces Policy toward Large-scale Purchases of Matsushita Shares (ESV Plan).

(6) Matters concerning the parent company

Matsushita has no parent company.

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Table of Contents

April 28, 2005

Matsushita Electric Industrial Co., Ltd.

Supplemental Consolidated Financial Data for Fiscal 2005

ended March 31, 2005

1. Sales breakdown for Fiscal 2005 ended March 31, 2005 and Fiscal 2006 Forecast

Fiscal 2005 Results

yen (billions)

By Product Category	Total	05/04	Local currency basis 05/04	Domestic	05/04	Overseas	05/04	Local currency basis 05/04
Video and audio equipment	1,482.6	105%	106%	466.7	113%	1,015.9	101%	103%
Information and communications equipment	2,076.2	94%	95%	1,046.2	97%	1,030.0	91%	94%
AVC Networks	3,558.8	98%	99%	1,512.9	102%	2,045.9	96%	98%
Home Appliances	1,217.9	102%	104%	744.2	97%	473.7	111%	115%
Components and Devices	1,112.5	97%	99%	446.4	96%	666.1	98%	101%
MEW and PanaHome	1,497.6			1,280.2		217.4		
JVC	717.8	89%	90%	207.8	85%	510.0	91%	93%
Other	609.0	84%	85%	389.0	75%	220.0	107%	110%
Total	8,713.6	116%	118%	4,580.5	132%	4,133.1	103%	106%

Fiscal 2006 Forecast

yen (billions)

By Product Category	Total	06/05	Local currency basis 06/05	Domestic	06/05	Overseas	06/05	Local currency basis 06/05
Video and audio equipment	1,495.0	101%	105%	467.0	100%	1,028.0	101%	107%
Information and communications equipment	2,085.0	100%	103%	1,078.0	103%	1,007.0	98%	104%
AVC Networks	3,580.0	101%	104%	1,545.0	102%	2,035.0	99%	106%
Home Appliances	1,180.0	97%	99%	720.0	97%	460.0	97%	103%
Components and Devices	1,100.0	99%	102%	458.0	103%	642.0	96%	102%
MEW and PanaHome	1,536.0	103%	103%	1,334.0	104%	202.0	93%	98%
JVC	810.0	113%	117%	230.0	111%	580.0	114%	120%
Other	514.0	84%	85%	313.0	80%	201.0	91%	94%

Total	8,720.0	100%	103%	4,600.0	100%	4,120.0	100%	105%

Overseas Sales

yen (billions)

By Region	Fiscal 2005 Results			Fiscal 2006 Forecast		
		05/04	Local currency basis 05/04		06/05	Local currency basis 06/05
North and South America	1,283.0	97%	101%	1,290.0	101%	108%
Europe	1,122.5	104%	102%	1,100.0	98%	102%
Asia	1,057.8	104%	107%	1,040.0	98%	103%
China	669.8	115%	120%	690.0	103%	109%
Total	4,133.1	103%	106%	4,120.0	100%	105%

Table of Contents

2. **Segment Information**

<Consolidated> Fiscal 2005 Results — yen (billions)

	Sales	05/04	Segment profit	% of sales	05/04
AVC Networks	3,858.8	100%	127.4	3.3%	99%
Home Appliances	1,332.8	109%	77.6	5.8%	147%
Components and Devices	1,469.0	89%	57.8	3.9%	115%
MEW and PanaHome	1,556.1		63.9	4.1%	
JVC	730.2	89%	9.9	1.4%	40%
Other	1,027.1	108%	38.3	3.7%	261%
Total	9,974.0	117%	374.9	3.8%	138%
Corporate and eliminations	-1,260.4		-66.4		
Consolidated total	8,713.6	116%	308.5	3.5%	158%

<Consolidated> Fiscal 2006 Forecast — yen (billions)

	Sales	06/05	Segment profit	% of sales	06/05
AVC Networks	3,910.0	101%	166.0	4.2%	130%
Home Appliances	1,300.0	98%	75.0	5.8%	97%
Components and Devices	1,380.0	94%	62.0	4.5%	107%
MEW and PanaHome	1,710.0	110%	65.0	3.8%	102%
JVC	820.0	112%	24.0	2.9%	243%
Other	890.0	87%	30.0	3.4%	78%
Total	10,010.0	100%	422.0	4.2%	113%
Corporate and eliminations	-1,290.0		-92.0		
Consolidated total	8,720.0	100%	330.0	3.8%	107%

As the company s consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP), financial data for the MEW and PanaHome segment and JVC segment are also calculated according to these principles.

3. **Capital Investment, Depreciation and R&D Expenditures**

Capital Investment**

<Consolidated>	yen (billions) Fiscal 2005 Results		yen (billions) Fiscal 2006 Forecast	
		05-04		06-05

AVC Networks	95.0	+31.0	AVC Networks	126.0	+31.0
Home Appliances	34.3	+10.3	Home Appliances	35.0	+0.7
* Components and Devices	120.1	-17.5	* Components and Devices	129.0	+8.9
MEW and PanaHome	31.9	+31.9	MEW and PanaHome	32.0	+0.1
JVC	18.1	+3.8	JVC	15.0	-3.1
Other	74.9	+43.5	Other	23.0	-51.9
Total	374.3	+103.0	Total	360.0	-14.3
* semiconductors	81.0	+30.0	* semiconductors	86.0	+5.0

** The company defines capital investment as purchases of property, plant and equipment on an accrual basis which reflects the effects of timing differences between acquisition dates and payment dates. The company has included the information concerning capital investment because its management uses this indicator to manage its capital expenditures and it believes that such indicator is useful to investors to present accrual basis capital investments in addition to the cash basis information in its consolidated cash flow statement.

The following table shows a reconciliation of capital investment to purchases of property, plant and equipment and intangible and other assets:

		yen (billions)
	Fiscal 2005 Results	***Fiscal 2006 Forecast**
Purchases of property, plant and equipment shown as capital expenditures in consolidated statements of cash flows	352.2	360.0
Effects of timing difference between acquisition dates and payment dates	22.1	0
Capital investment	374.3	360.0

* The forward-looking figure regarding purchases of property, plant and equipment in consolidated statements of cash flows shown above

is based on the assumption that there is no change in the trade payables amounts as of March 31, 2005 and March 31, 2006.

Table of Contents

Depreciation (Tangible assets)

<Consolidated>

yen (billions)

	Fiscal 2005 Results		Fiscal 2006 Forecast	
		05-04		06-05
Total	287.4	+33.6	280.0	-7.4
[semiconductors]	[39.6]	[+1.6]	[47.1]	[+7.5]

R&D Expenditures

<Consolidated>

yen (billions)

	Fiscal 2005 Results		Fiscal 2006 Forecast	
		05-04		06-05
Total	615.5	+36.3	590.0	-25.5
[excluding MEW and PanaHome]	[551.9]	[-27.3]	[532.0]	[-19.9]

4. Intellectual Property Rights; Patents

(Number of patents)

	Fiscal 2004	Fiscal 2005
Domestic	48,061	47,166
Overseas	38,358	43,660
Total	86,419	90,826

<Owned by Matsushita Electric Industrial Co., Ltd. and major consolidated subsidiaries, excluding Matsushita Electric Works, Ltd., PanaHome Corporation and Victor Company of Japan, Ltd.>

5. Foreign Currency Exchange Rates

<Export Rates>

	Fiscal 2004	Fiscal 2005	Fiscal 2006 Forecast
U.S. Dollars	¥ 115	¥ 108	¥ 100
Euro	¥ 129	¥ 133	¥ 130

<Rates Used for Consolidation>

	Fiscal 2004	Fiscal 2005	Fiscal 2006 Forecast
U.S. Dollars	¥ 113	¥ 108	¥ 100
Euro	¥ 133	¥ 135	¥ 130

6. Number of Employees

<Consolidated> (persons)

	end of March 2004	end of March 2005
Domestic	119,528	150,642
Overseas	170,965	184,110
Total	290,493	334,752

7. Other Information

(shares)

	end of March 2004	end of March 2005
Issued Shares (a)	2,453,053,497	2,453,053,497
Treasury Stock (b)	134,645,885	194,695,787
Outstanding Shares (excluding treasury stock) (a-b)	2,318,407,612	2,258,357,710

	Fiscal 2005 Results	Fiscal 2006 Forecast
Net income per common share* (diluted basis)	¥ 25.49	¥ 48.71
Stockholders equity per common share at the end of each period	¥ 1,569.39	

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* The forecast for fiscal 2006 is based on the assumption that the number of common shares does not change.
As announced in a press release issued today Matsushita to Execute Own Share Repurchase, the company plans to repurchase up to 120 million shares of its own stock for a maximum of 150 billion yen, from May 2, 2005 to late March 2006. If implemented, net income per common share (diluted basis) for fiscal 2006 would be approximately 50 yen.

- 3 -

Table of Contents

8. Annual Forecast for Fiscal 2006, ending March 31, 2006

<Consolidated> yen (billions)

	Fiscal 2005 Results		Fiscal 2006 Forecast	
		05/04		06/05
Sales	8,713.6	116%	8,720.0	100%
Operating profit *	308.5	158%	330.0 **	107%
(% of Sales)	(3.5%)		(3.8%)	
Income before income taxes	246.9	145%	290.0 **	117%
(% of Sales)	(2.8%)		(3.3%)	
Net income	58.5	139%	110.0	188%
(% of Sales)	(0.7%)		(1.3%)	

* In order to be consistent with generally accepted financial reporting practices in Japan, operating profit is presented as net sales less cost of sales and selling, general and administrative expenses. The company believes that this is useful to investors in comparing the company s financial results with those of other Japanese companies.

** Factors affecting the forecast for other income (deductions) of 40 billion yen (the difference between operating profit and income before income taxes) include business restructuring charges of 35 billion yen and other expenses of 5 billion yen.

Disclaimer Regarding Forward-Looking Statements

This document includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Matsushita and its Group companies (the Matsushita Group). To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Matsushita Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Matsushita Group s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Matsushita undertakes no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by Matsushita in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China, and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, Asian currencies and other currencies in which the Matsushita Group operates businesses, or in which assets and liabilities of the Matsushita Group are denominated; the ability of the Matsushita Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the ability of the Matsushita Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Matsushita Group to maintain competitive strength in many product and geographical areas; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes and other events that may negatively impact business activities of the Matsushita Group.

Table of Contents

<Attachment 1>

Sales by Products

The following are sales of major products to outside customers, and do not include internal sales.

As such, amounts herein do not correspond to those in Segment information.

<Consolidated> yen (billions)

	Products	Fiscal 2005 Result Sales	Fiscal 2005 Result 05/04
AVC Networks	VCRs	208.3	92%
	TVs	488.6	102%
	PDP TVs	217.2	171%
	DVD players/recorders	149.9	99%
	Audio equipment	226.8	80%
	Information equipment	1,215.3	96%
	Communications equipment	860.9	91%
	[Mobile communications equipment]	[492.4]	[92%]
Home Appliances	Air conditioners	215.7	109%
	Refrigerators	102.1	101%
Components and Devices	General components	361.9	99%
	Semiconductors *	476.0	99%
	Batteries	296.2	97%
Other	FA equipment	160.7	101%

* Information for semiconductors is on a production basis. The annual forecast for fiscal 2006 is 529.0 billion yen, up 11% from fiscal 2005.

Table of Contents

<Attachment 2>

Financial Data for the primary business domain companies in the AVC Networks Segment

<Business domain company basis>

<Sales and domain company profit by business domain company (production division basis)>

Fiscal 2005 Results — yen (billions)

	Sales		Domain company profit		
		05/04		05/04	% of sales
Panasonic AVC Networks Company	1,324.6	110%	30.1	105%	2.3%
Panasonic Communications Co., Ltd.	463.3	99%	18.5	132%	4.0%
Panasonic Mobile Communications Co., Ltd.	559.5	99%	-8.9		-1.6%

Fiscal 2006 Forecast — yen (billions)

	Sales		Domain company profit		
		06/05		06/05	% of sales
Panasonic AVC Networks Company	1,396.0	105%	50.0	166%	3.6%
Panasonic Communications Co., Ltd.	457.0	99%	20.4	110%	4.5%
Panasonic Mobile Communications Co., Ltd.	560.0	100%	8.0		1.4%

Notes:

1. The above information for Panasonic AVC Networks Company does not include sales and profit of domestic and overseas sales divisions.
2. The above information for Panasonic Communications Co., Ltd. and Panasonic Mobile Communications Co., Ltd. does not include sales and profit of certain overseas sales divisions.

<Capital Investment> — yen (billions)

	Fiscal 2005 Result		Fiscal 2006 Forecast	
		05-04		06-05
Panasonic AVC Networks Company	73.8	+47.4	82.0	+8.2
Panasonic Communications Co., Ltd.	8.2	-2.6	11.6	+3.4
Panasonic Mobile Communications Co., Ltd.	4.3	-2.0	5.1	+0.8

<Number of Employees>

	(persons) end of March, 2005
Panasonic AVC Networks Company	30,732
Panasonic Communications Co., Ltd.	17,895
Panasonic Mobile Communications Co., Ltd.	6,349

Table of Contents

<Attachment 3> Reference

Financial Data for the primary business domain companies in the AVC Networks Segment for fiscal 2004 and fiscal 2005

<Business domain company basis>

<Sales and domain company profit by business domain company (production division basis)>

Fiscal 2005 Results

Sales

yen (billions)

	First Half						Second Half						Fiscal 2005	
	First Quarter	05/04	Second Quarter	05/04	First Half	05/04	Third Quarter	05/04	Fourth Quarter	05/04	Second Half	05/04		05/04
PAVC	340.6	124%	341.2	111%	681.8	117%	370.2	107%	272.6	100%	642.8	104%	1,324.6	110%
PCC	119.6	103%	120.3	94%	239.9	98%	116.0	96%	107.4	106%	223.4	100%	463.3	99%
PMC	138.2	90%	152.1	114%	290.3	101%	124.4	76%	144.8	127%	269.2	97%	559.5	99%

Domain company profit

yen (billions)

	First Half						Second Half						Fiscal 2005	
	First Quarter	05/04	Second Quarter	05/04	First Half	05/04	Third Quarter	05/04	Fourth Quarter	05/04	Second Half	05/04		05/04
PAVC	5.2	208%	14.3	124%	19.5	139%	10.5	104%	0.1	2%	10.6	72%	30.1	105%
PCC	3.3	157%	5.0	139%	8.3	146%	5.0	104%	5.2	149%	10.2	123%	18.5	132%
PMC	1.1	21%	0.7	16%	1.8	18%	-6.4		-4.3		-10.7		-8.9	

Fiscal 2004 Results

Sales

yen (billions)

	First Half						Second Half						Fiscal 2004	
	First Quarter	04/03	Second Quarter	04/03	First Half	04/03	Third Quarter	04/03	Fourth Quarter	04/03	Second Half	04/03		04/03
PAVC	274.6		306.7		581.3		346.5		271.7		618.2		1,199.5	
PCC	116.2		128.3		244.5		121.0		101.3		222.3		466.8	
PMC	154.2		133.4		287.6		163.7		113.9		277.6		565.2	

Domain company profit

yen (billions)

	First Half						Second Half						Fiscal 2004	
	First Quarter	04/03	Second Quarter	04/03	First Half	04/03	Third Quarter	04/03	Fourth Quarter	04/03	Second Half	04/03		04/03
PAVC	2.5		11.5		14.0		10.1		4.6		14.7		28.7	

PCC	2.1	3.6	5.7	4.8	3.5	8.3	14.0
PMC	5.3	4.5	9.8	6.0	1.6	7.6	17.4

PAVC: Panasonic AVC Networks Company

PCC: Panasonic Communications Co., Ltd.

PMC: Panasonic Mobile Communications Co., Ltd.

Table of Contents

<Attachment 4> Reference

Segment information for fiscal 2003 through fiscal 2005

<Consolidated>

Fiscal 2005 Results

Sales

yen (billions)

	First Half						Second Half						Fiscal 2005	
	First Quarter	05/04	Second Quarter	05/04	First Half	05/04	Third Quarter	05/04	Fourth Quarter	05/04	Second Half	05/04		05/04
AVC Networks	903.9	104%	979.7	103%	1,883.6	103%	1,041.0	97%	934.2	99%	1,975.2	98%	3,858.8	100%
Home Appliances	344.1	117%	316.3	102%	660.4	109%	343.8	110%	328.6	107%	672.4	109%	1,332.8	109%
Components and Devices	403.2	100%	389.2	92%	792.4	96%	356.3	82%	320.3	80%	676.6	81%	1,469.0	89%
MEW and PanaHome	350.5		384.0		734.5		390.8		430.8		821.6		1,556.1	
JVC	175.9	90%	184.4	86%	360.3	88%	213.4	91%	156.5	89%	369.9	90%	730.2	89%
Other	252.1	112%	287.2	115%	539.3	113%	250.5	105%	237.3	101%	487.8	103%	1,027.1	108%
Total	2,429.7	122%	2,540.8	118%	4,970.5	120%	2,595.8	114%	2,407.7	117%	5,003.5	115%	9,974.0	117%
Corporate and eliminations	-327.7		-324.3		-652.0		-299.3		-309.1		-608.4		-1,260.4	
Consolidated total	2,102.0	119%	2,216.5	118%	4,318.5	119%	2,296.5	113%	2,098.6	116%	4,395.1	114%	8,713.6	116%

Segment profit

yen (billions)

	First Half						Second Half						Fiscal 2005	
	First Quarter	05/04	Second Quarter	05/04	First Half	05/04	Third Quarter	05/04	Fourth Quarter	05/04	Second Half	05/04		05/04
AVC Networks	17.2	107%	51.1	121%	68.3	117%	25.7	77%	33.4	90%	59.1	83%	127.4	99%
Home Appliances	17.1	253%	20.7	170%	37.8	199%	21.6	108%	18.2	133%	39.8	118%	77.6	147%
Components and Devices	15.7	368%	23.8	111%	39.5	153%	9.1	67%	9.2	85%	18.3	75%	57.8	115%
MEW and PanaHome	5.7		18.9		24.6		20.3		19.0		39.3		63.9	
JVC	2.7	132%	1.9	23%	4.6	46%	7.2	72%	-1.9		5.3	36%	9.9	40%
Other	8.0	331%	8.1	172%	16.1	225%	8.9	208%	13.3	403%	22.2	292%	38.3	261%
Total	66.4	210%	124.5	140%	190.9	159%	92.8	114%	91.2	131%	184.0	122%	374.9	138%
Corporate and eliminations	-22.9		-11.7		-34.6		-4.5		-27.3		-31.8		-66.4	

Consolidated total	43.5	217%	112.8	189%	156.3	196%	88.3	124%	63.9	142%	152.2	131%	308.5	158%

Fiscal 2004 Results

Sales

yen (billions)

	First Half						Second Half						Fiscal 2004	
	First Quarter	04/03	Second Quarter	04/03	First Half	04/03	Third Quarter	04/03	Fourth Quarter	04/03	Second Half	04/03		04/03
AVC Networks	873.3	98%	954.6	109%	1,827.9	103%	1,068.4	112%	944.0	100%	2,012.4	106%	3,840.3	105%
Home Appliances	294.2	99%	309.8	100%	604.0	99%	312.6	101%	306.6	110%	619.2	105%	1,223.2	102%
Components and Devices	405.2	100%	421.3	97%	826.5	98%	432.3	95%	400.9	97%	833.2	96%	1,659.7	97%
JVC	195.3	94%	214.1	95%	409.4	95%	233.3	100%	176.3	95%	409.6	98%	819.0	96%
Other	225.9	106%	250.2	134%	476.1	119%	238.6	122%	234.0	105%	472.6	113%	948.7	116%
Total	1,993.9	99%	2,150.0	106%	4,143.9	102%	2,285.2	107%	2,061.8	101%	4,347.0	104%	8,490.9	103%
Corporate and eliminations	-230.3		-273.9		-504.2		-253.9		-253.1		-507.0		-1,011.2	
Consolidated total	1,763.6	98%	1,876.1	103%	3,639.7	101%	2,031.3	105%	1,808.7	98%	3,840.0	102%	7,479.7	101%

Segment profit

yen (billions)

	First Half						Second Half						Fiscal 2004	
	First Quarter	04/03	Second Quarter	04/03	First Half	04/03	Third Quarter	04/03	Fourth Quarter	04/03	Second Half	04/03		04/03
AVC Networks	16.1	129%	42.2	308%	58.3	223%	33.6	124%	37.2	126%	70.8	125%	129.1	156%
Home Appliances	6.8	65%	12.2	110%	19.0	88%	20.0	136%	13.7	154%	33.7	142%	52.7	117%
Components and Devices	4.3	205%	21.5	149%	25.8	156%	13.5	111%	10.8	415%	24.3	165%	50.1	161%
JVC	2.0	131%	8.1	113%	10.1	115%	10.0	146%	4.6	74%	14.6	111%	24.7	113%
Other	2.4	102%	4.7	63%	7.1	73%	4.3	373%	3.3	157%	7.6	230%	14.7	113%
Total	31.6	109%	88.7	165%	120.3	145%	81.4	131%	69.6	141%	151.0	136%	271.3	140%
Corporate and eliminations	-11.6		-29.1		-40.7		-10.5		-24.6		-35.1		-75.8	
Consolidated total	20.0	127%	59.6	174%	79.6	159%	70.9	148%	45.0	157%	115.9	151%	195.5	154%

Table of Contents

<Attachment 4> Reference

Segment information for fiscal 2003 through fiscal 2005

<Consolidated>

Fiscal 2003 Results

Sales

yen (billions)

	First Half						Second Half						Fiscal 2003	
	First Quarter	03/02	Second Quarter	03/02	First Half	03/02	Third Quarter	03/02	Fourth Quarter	03/02	Second Half	03/02		03/02
AVC Networks	894.4	108%	875.9	104%	1,770.3	106%	951.5	105%	946.4	102%	1,897.9	103%	3,668.2	105%
Home Appliances	297.2	99%	311.2	100%	608.4	99%	310.2	106%	278.9	105%	589.1	105%	1,197.5	102%
Components and Devices	406.7	100%	434.9	114%	841.6	107%	453.9	121%	414.2	111%	868.1	116%	1,709.7	111%
JVC	206.9	109%	226.0	108%	432.9	108%	233.7	100%	184.9	92%	418.6	96%	851.5	102%
Other	212.8	121%	187.0	111%	399.8	116%	196.3	116%	223.0	105%	419.3	110%	819.1	113%
Total	2,018.0	106%	2,035.0	106%	4,053.0	106%	2,145.6	108%	2,047.4	104%	4,193.0	106%	8,246.0	106%
Corporate and eliminations	-224.6		-207.4		-432.0		-210.6		-201.7		-412.3		-844.3	
Consolidated total	1,793.4	104%	1,827.6	105%	3,621.0	104%	1,935.0	107%	1,845.7	103%	3,780.7	105%	7,401.7	105%

Segment profit

yen (billions)

	First Half						Second Half						Fiscal 2003	
	First Quarter	03/02	Second Quarter	03/02	First Half	03/02	Third Quarter	03/02	Fourth Quarter	03/02	Second Half	03/02		03/02
AVC Networks	12.5		13.7		26.2		27.0		29.6	2114%	56.6		82.8	
Home Appliances	10.4	79%	11.1	72%	21.5	75%	14.8	176%	8.9		23.7	578%	45.2	139%
Components and Devices	2.1		14.4		16.5		12.1		2.6		14.7		31.2	
JVC	1.6		7.2		8.8		6.9		6.2	127%	13.1	437%	21.9	
Other	2.3		7.5		9.8		1.2		2.1		3.3		13.1	
Total	28.9		53.9		82.8		62.0		49.4		111.4		194.2	
Corporate and eliminations	-13.2		-19.6		-32.8		-14.0		-20.8		-34.8		-67.6	
Consolidated total	15.7		34.3		50.0		48.0		28.6		76.6		126.6	

Table of Contents

April 28, 2005

FOR IMMEDIATE RELEASE

Media Contacts:

Akira Kadota (Tokyo)

International PR

(Tel: +81-3-3578-1237)

Panasonic News Bureau (Tokyo)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

Brendon Gore (Europe)

(Tel: +44-20-8899-2217)

Investor Relations Contacts:

Makoto Mihara (Osaka)

Investor Relations

(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)

Panasonic Finance (America), Inc.

(Tel: +1-212-698-1365)

Norio Iino (Europe)

Panasonic Finance (Europe) plc

(Tel: +44-20-7562-4400)

Matsushita Announces Proposed Senior Management Changes

Osaka, Japan, April 28, 2005 Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]) today announced the following proposed changes in its Board of Directors, Corporate Auditors and Executive Officers. Of the proposed changes, election of new Directors and Corporate Auditors, and certain other matters will be submitted for, and subject to, approval at the company s ordinary general meeting of shareholders to be held in late June 2005.

Details of the changes, effective late June 2005, are as follows:

1. Members of the Board of Directors (19 persons)

(changes in titles shown in parentheses)

Title	Name	Main New Responsibilities
Chairman of the Board	Yoichi Morishita	
Vice Chairman of the Board	Masayuki Matsushita	
President	Kunio Nakamura	
Executive Vice President	Kazuo Toda	In charge of Corporate Marketing Division for Panasonic Brand, Corporate Marketing Division for National Brand Home Appliances, Corporate Marketing Division for National Brand Wellness Products, Corporate Sales Strategy Division for National/Panasonic Retailers, Commodity Sales, Electrical Supplies Sales, Project Sales and Building Products Sales, Corporate Construction Business Promotion Division, Advertising, Panasonic Center, Logistics, Corporate CS Division, Design, Chairman of Corporate Brand Committee and Showroom Strategic Committee
	Takami Sano (Promoted)	Representative in Tokyo, President of Panasonic Automotive Systems Company, in charge of Industrial Sales, Panasonic EV Energy Co., Ltd.
Senior Managing Directors	Susumu Koike	In charge of Technology, Devices and Environmental Technologies, Intellectual Property, Overseas Research Laboratories, President of Semiconductor Company, Camera Modules Business
	Fumio Ohtsubo	President of Panasonic AVC Networks Company and Director of Devices Business Group, in charge of Storage Devices Business, Digital Network Strategic Planning Office, Matsushita Fujisawa Manufacturing Center
	Tetsuya Kawakami	In charge of Finance and Accounting
	Yoshitaka Hayashi (Promoted)	In charge of Home Appliances Business, President of Matsushita Home Appliances Company, in charge of Lighting Company, Healthcare Business Company, and Matsushita Refrigeration Company
Managing Directors	Hidetsugu Otsuru	In charge of Facility Management, Quality Assurance and Environmental Affairs, concurrently Director* of Corporate Environmental Affairs Division, in charge of Recycling Business Promotion
	Toshihiro Sakamoto	In charge of Planning, Associate Director of Corporate Management Quality Innovation Division, Associate Director of Corporate IT Innovation Division, in charge of Panasonic Spin-up Fund, AMTEC Business Promotion Office
	Takahiro Mori (New Director)	In charge of Corporate Communications Division, CSR Office, Vice Chairman of Showroom Strategic Committee
	Shinichi Fukushima (Promoted)	In charge of Personnel, General Affairs, Social Relations, Director of Corporate Equal Partnership Division
Directors	Ikuo Uno (New Director)	

	Yoshifumi Nishikawa (New Director)	
	Masaki Akiyama	President of Panasonic System Solutions Company, Director of Corporate Construction Business Promotion Division, in charge of Corporate eNet Business Division
	Mikio Ito	Director of Corporate Legal Affairs Division, in charge of Corporate Risk Management, Corporate Information Security, and Business Ethics
	Ikusaburo Kashima (New Director)	Deputy Chief of Overseas Operations, concurrently Director of Global Strategy Research Institute
Honorary Chairman of the Board of Directors and Executive Advisor	Masaharu Matsushita	

*As of dated on June 24, 2005

Table of Contents

- 2 -

Notes: The Chairman of the Board of Directors, Vice Chairman of the Board of Directors, President, Executive Vice Presidents and Senior Managing Directors are Representative Directors and severally represent the company.

Osamu Tanaka, Yukio Shohtoku and Toshio Morikawa will retire from the Board of Directors.

Ikuo Uno and Yoshifumi Nishikawa are outside Directors, as provided by the Commercial Code of Japan.

Josei Ito, Director of the company passed away on April 21, 2005.

2. Members of the Board of Corporate Auditors (4 persons)

Title	Name
Senior Corporate Auditors	Kazumi Kawaguchi Yukio Furuta
Corporate Auditors	Yasuo Yoshino Ikuo Hata

Note: Yasuo Yoshino and Ikuo Hata are outside corporate auditors, as provided by the law concerning Exceptional Measures to the Commercial Code of Japan.

3. Executive Officers (27 persons)

Title	Name	Main New Responsibilities
Senior Managing Executive Officers	Hajime Sakai (Promoted)	In charge of Production Engineering, Groupwide Manufacturing Human Resources Innovation Project
	Koshi Kitadai (Promoted)	President of Panasonic Electronic Devices Co., Ltd.
Managing Executive Officers	Yoshiaki Kushiki	President of Panasonic Mobile Communications Co., Ltd.
	Yasuo Katsura	Director of Tokyo Branch
	Shunzo Ushimaru	Director of Corporate Marketing Division for Panasonic Brand, in charge of Matsushita Consumer Electronics Corporation and Network Marketing Strategy Office
	Tameshige Hirata (Promoted)	President of Matsushita Ecology Systems Co., Ltd., in charge of Matsushita Environment and Air-conditioning Engineering Co., Ltd.
Executive Officers	Toru Ishida	

		President of Matsushita Battery Industrial Co., Ltd., concurrently President of Rechargeable Battery Company
	Tomikazu Ise	Director of Corporate Management Division for China and Northeast Asia, Chairman of Panasonic Corporation of China
	Fujio Nakajima	Senior Vice President of Panasonic AVC Networks Company, Director of Technology Planning & Development Center, General Manager of Digital Broadcasting Business Promotion Office
	Tomiyasu Chiba	President of Panasonic Shikoku Electronics Co., Ltd.
	Nobutane Yamamoto	In charge of Procurement, concurrently Director of Corporate Procurement Division
	Kazuyoshi Fujiyoshi	President of Panasonic Communications Co., Ltd.
	Tomio Kawabe	Director of Corporate Management Division for Asia and Oceania, President of Panasonic Asia Pacific Pte. Ltd.
	Junji Esaka	Vice President of Matsushita Home Appliances Company, in charge of Refrigeration and Air Conditioning Business, President of Matsushita Refrigeration Company
	Takae Makita	In charge of Information Systems, Associate Director of Corporate IT Innovation Division
	Hitoshi Otsuki	Director of Corporate Management Division for Europe, Chairman of Panasonic Europe Ltd.
	Tsutomu Ueda	Senior Vice President of Panasonic AVC Networks Company, Director of Visual Products and Display Devices Business Group
	Masashi Makino	Director of Corporate Manufacturing Innovation Division
	Katsutoshi Kanzaki	President of Panasonic Factory Solutions Co., Ltd., in charge of Matsushita Welding Systems Co., Ltd.
	Yoshinobu Sato	Director of Corporate Sales Strategy Division for National/Panasonic Retailers, President of Matsushita Life Electronics Corporation
	Osamu Nishijima	Vice President of Semiconductor Company in charge of Technology, concurrently General Manager of Semiconductor Technologies Strategy Office
	Joachim Reinhart	COO of Panasonic Europe Ltd.
	Yutaka Mizuno	Executive Vice President of Panasonic Automotive Systems Company in charge of Sales, Director of Panasonic Automotive Systems (China) of Panasonic Corporation of China
	Yoshihiko Yamada	Director, Corporate Management Division for North America, Chairman of Panasonic Corporation of North America
	Kazuhiro Tsuga	In charge of Digital Network and Software Technologies
	Ikuo Miyamoto (New Executive Officer)	President of Motor Company
	Ken Morita (New Executive Officer)	Senior Vice President of Panasonic AVC Networks Company, Assistant Director of Visual Products and Display Devices Business Group

Note: Hideaki Iwatani and Yoichiro Maekawa will retire from the office of Executive Officer.

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Table of Contents

April 28, 2005

FOR IMMEDIATE RELEASE

Media Contacts:	***Investor Relations Contacts:***
Akira Kadota (Tokyo)	***Makoto Mihara (Osaka)***
International PR	***Investor Relations***
(Tel: +81-3-3578-1237)	***(Tel: +81-6-6908-1121)***
Panasonic News Bureau (Tokyo)	***Akihiro Takei (U.S.)***
(Tel: +81-3-3542-6205)	***Panasonic Finance (America), Inc.***
	(Tel: +1-212-698-1365)
Jim Reilly (U.S.)	
(Tel: +1-201-392-6067)	***Norio Iino (Europe)***
	Panasonic Finance (Europe) plc
Brendon Gore (Europe)	***(Tel: +44-20-7562-4400)***
(Tel: +44-20-8899-2217)	

Matsushita Announces Plans to Maximize Shareholder Value

Osaka, Japan, April 28, 2005 Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]), best known for its Panasonic brand, announced that with the aim of maximizing shareholder value, Matsushita has implemented a wide range of initiatives, including business restructuring and the establishment of a business domain-based organizational structure. For the year ending March 31, 2006 (fiscal 2006), which is the midpoint in Matsushita s 3-year Leap Ahead 21 plan, the company will continue to accelerate growth strategies. Furthermore, the company will proactively return profits resulting from achievement of the Leap Ahead 21 plan to shareholders. Meanwhile, Matsushita decided to adopt a policy regarding potential large-scale purchases of Matsushita shares. Specifically, prospective large-scale purchasers would be required to provide Matsushita s Board of Directors with sufficient information about such large-scale purchases, including the purpose, basis for determination of purchase price and other relevant details. The reason for adopting this policy is to provide shareholders of Matsushita with sufficient information to make appropriate decisions regarding large-scale purchases of Matsushita shares. The policy would also stipulate that sufficient time be allowed Matsushita s Board of Directors to evaluate information provided by the prospective large-scale purchaser. Matsushita will continue to implement policies that enhance transparency of the company s management, based on the basic philosophy that the final decision regarding any large-scale purchase of Matsushita shares principally rests with shareholders. In this way, Matsushita will continue to promote shareholder-oriented management, aiming to maximize shareholder value.

1. Acceleration of the Growth Strategy to Achieve Leap Ahead 21 Plan

The following are specific initiatives within the Leap Ahead 21 plan for fiscal 2006.

1) Establishment of a technology- and intellectual property-oriented company

2) Enhancement of product competitiveness through development of V-products

3) Aggressive strategic capital investments

4) Strengthening overseas businesses

5) Synergy benefits through collaboration between Matsushita and Matsushita Electric Works, Ltd. (MEW).

(see attachment for details about the above)

2. Proactive Return of Profits to Shareholders

In addition to carrying out initiatives within the Leap Ahead 21 plan, Matsushita will implement shareholder-oriented management by providing returns to shareholders based on consolidated business performance.

Basic Policy for Providing Return to Shareholders

Matsushita aims to maximize shareholder value by enhancing its reputation in capital markets through the steady growth of its mid-term business performance and return of profits to shareholders, based on its consolidated business performance.

In particular, Matsushita will provide return to shareholders through dividend payments and own share repurchases, upon careful consideration of consolidated cash flows.

1) Dividends

Matsushita aims for promoting stable and continuous growth of return to shareholders, while at the same time taking into consideration various factors including mid-term business performance, capital expenditure requirements and the company s financial condition.

2) Own share repurchases

Matsushita will provide return to shareholders by enhancing shareholder value per share through a reduction, in effect, of the number of outstanding shares by way of repurchasing the company s own shares.

Return to Shareholders for Fiscal 2006, ending March 2006

1) Dividends

Matsushita plans to increase total dividends per share for fiscal 2006 to 20 yen (10 yen per share as an interim dividend and 10 yen per share for the year-end dividend), from the planned 15 yen for fiscal 2005, ended March 2005.

2) Own share repurchases

Matsushita will continue to repurchase the company s own shares to further enhance shareholder value per share. From May 2, 2005 to late March 2006, Matsushita plans to repurchase up to 120 million shares of its own stock for a maximum of 150 billion yen.

3. Policy toward Large-scale Purchases of Matsushita Shares (ESV* Plan)

With recent trends toward globalization of capital markets, corporate acquisitions are likely to increase in Japan. Under such circumstances, Matsushita believes that management with a mid- to long-term vision will maximize overall profit for shareholders, especially in the manufacturing industry, which can require 10 to 20 years to develop innovative technologies into products.

Under the basic philosophy that shareholders should make final decisions regarding large-scale purchases of Matsushita shares, Matsushita established a new policy regarding such potential purchases. The new policy outlines certain rules that the company believes are in the best interests of shareholders as a whole.

The above-mentioned rules stipulate that prospective large-scale purchasers (those who intend to acquire 20% or more of all voting rights) should provide, to Matsushita s Board of Directors, information such as an outline of the large-scale purchaser, the purpose and conditions of the large-scale purchase, the basis for determination of purchase price, funds procurement details, as well as any management policies or business plans that would be adopted after the completion of the large-scale purchase. Furthermore, the new rules require that a prospective large-scale purchaser grant Matsushita s Board of Directors a sufficient period of time (60 or 90 days) to assess the information provided. The Board of Directors will assess and examine the proposed large-scale purchase for the benefit of all shareholders of Matsushita, and subsequently disclose the opinion of the Board of Directors. Furthermore, the Board of Directors will provide shareholders with necessary information so that they may make appropriate decisions in regards to the proposed large-scale purchase. In addition, Matsushita s Board of Directors may, as it deems necessary, negotiate with prospective large-scale purchasers to improve the terms of the proposal or offer alternative plans to shareholders.

* ESV stands for Enhancement of Shareholder Value.

Table of Contents

In the event of non-compliance with such rules by a prospective large-scale purchaser, the Board of Directors may take countermeasures, including stock splits or the issuance of stock acquisition rights, in order to protect the interests of shareholders as a whole. Matsushita today also filed a shelf registration statement with the Japanese regulatory authorities for possible issues of stock acquisition rights.

For further details, see separate press release issued today Matsushita Announces Policy toward Large-scale Purchases of Matsushita Shares (ESV plan).

< Large-scale Purchase Rules Outline >

Disclaimer Regarding Forward-Looking Statements

This press release includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Matsushita and its Group companies (the Matsushita Group). To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Matsushita Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Matsushita Group s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Matsushita undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by Matsushita in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, Asian currencies and other currencies in which the Matsushita Group operates businesses, or in which assets and liabilities of the Matsushita Group are denominated; the ability of the Matsushita Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the ability of the Matsushita Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Matsushita Group to maintain competitive strength in many product and geographical areas; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes and other events that may negatively impact business activities of the Matsushita Group.

Table of Contents

(Attachment)

Acceleration of the Growth Strategy to Achieve Leap Ahead 21 Plan

1. Establishment of a technology- and intellectual property-oriented company

As a technology- and intellectual property-oriented company, Matsushita will continue to develop proprietary black-box technologies, while shifting management resources to priority R&D areas to achieve optimum results from R&D activities.

2. Enhancement of product competitiveness through development of V-products

Matsushita defines V-products as those that can attain top shares in high-volume markets and contribute to overall earnings. For fiscal 2006, Matsushita will continue to enhance V-products which include black-box technologies, eco-friendly innovations and incorporate universal design concepts. Matsushita aims for total sales of V-products in fiscal 2006 of 1.5 trillion yen for 67 product categories.

3. Aggressive strategic capital investments

Matsushita will continue to concentrate capital investment on strategic businesses, particularly plasma display panel (PDP) TVs, which are expected to contribute significantly to overall growth. As the key component in digital products, semiconductors are another focus of Matsushita s capital investment.

4. Strengthening overseas businesses

The enhancement of profitability in overseas businesses is essential to the Leap Ahead 21 plan. Matsushita places particular priority on the high-growth Chinese market, aiming for sales of 1 trillion yen in fiscal 2007, ending March 2007.

5. Synergy benefits through collaboration between Matsushita and MEW

Through collaboration with MEW, which became a consolidated subsidiary of the company in April 2004, Matsushita will combine the strengths of the two companies to provide customers with a wide range of comfortable living solutions. Matsushita also expects to achieve increased sales of approximately 100 billion yen over the two-year period of fiscal 2006 and fiscal 2007. This will be achieved by launching new Collaboration V-products, which combine technologies of both companies, as well as restructuring of overlapping businesses and distribution systems.

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Table of Contents

April 28, 2005

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Media Contacts:

Akira Kadota (Tokyo)

International PR

(Tel: +81-3-3578 - 1237)

Panasonic News Bureau (Tokyo)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

Brendon Gore (Europe)

(Tel: +44-20-8899-2217)

Investor Relations Contacts:

Makoto Mihara (Osaka)

Investor Relations

(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)

Panasonic Finance (America), Inc.

(Tel: +1-212-698-1365)

Norio Iino (Europe)

Panasonic Finance (Europe) plc

(Tel: +44-20-7562-4400)

Matsushita Announces Policy toward

Large-scale Purchases of Matsushita Shares (ESV Plan)

Osaka, Japan, April 28, 2005 Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]), best known for its Panasonic brand, today announced that its Board of Directors decided to adopt a policy toward (i) a purchase of Matsushita shares by a group of shareholders[1] with the intent to hold 20% or more of the total voting rights[2] of Matsushita, or (ii) a purchase of Matsushita shares resulting in a group of shareholders holding 20% or more of the total voting rights of Matsushita (except for cases where Matsushita s Board of Directors has given consent in advance of the purchase set out in (i) or (ii) above.) A purchase of Matsushita shares set out in (i) or (ii) above shall be hereinafter referred to as a Large-scale Purchase. A person or a company that intends to conduct a Large-scale Purchase shall be hereinafter referred to as the Large-scale Purchaser. This policy shall also be hereinafter referred to as the ESV Plan[3].

1. Basic Philosophy

Matsushita s Board of Directors believes that the company s shareholders should make the final decisions as to whether or not a Large-scale Purchase is acceptable. If a Large-scale Purchase is to be conducted, sufficient information should be provided through the Board of Directors to shareholders so that they may make appropriate decisions. The Board of Directors intends to assess and examine any proposed Large-scale Purchase after the information on such Large-scale Purchase is provided, and subsequently to disclose the opinion of the Board of Directors, to assist shareholders in making their decisions. The Board of Directors may negotiate with the Large-scale Purchaser or offer alternative plans to shareholders, if it is deemed necessary.

The Matsushita Group recorded consolidated net sales of 8,713.6 billion yen for fiscal 2005, ended March 31, 2005, and consists of 627 consolidated subsidiaries and 334,752 employees on a consolidated basis, as of March 31, 2005. Taking into account the scale of the company s operations and the wide range of its business fields, Matsushita believes it would be helpful for shareholders to receive proper information from both the Large-scale Purchaser and the Board of Directors so that they may examine the terms of the Large-scale Purchase, including the adequacy of the purchase price. The company believes that if a Large-scale Purchase is to be conducted, shareholders should be made aware of its potential impact on the future management of the Matsushita Group, as well as management policies and business plans that the Large-scale Purchaser wishes to adopt, and the influence on other various stakeholders such as customers and employees, in order to determine whether or not the Large-scale Purchase is acceptable.

Under the basic philosophy mentioned above, Matsushita s Board of Directors has established rules concerning Large-scale Purchases of Matsushita shares (hereinafter referred to as the Large-scale Purchase Rules) as described below. The Board of Directors will require any Large-scale Purchaser to comply with these rules. If the Large-scale Purchaser does not comply with these rules, the Board of Directors intends to take certain countermeasures.

2. Large-scale Purchase Rules

Matsushita s Board of Directors believes that a Large-scale Purchaser should comply with the Large-scale Purchase Rules for the benefit of all shareholders of Matsushita. The Large-scale Purchase Rules require that (i) a Large-scale Purchaser provide sufficient information to the Board of Directors, and (ii) a Large-scale Purchaser be permitted to commence the Large-scale Purchase only after the prescribed period during which the Board of Directors assesses the Large-scale Purchase.

Table of Contents

- 3 -

First, a Large-scale Purchaser is required to provide Matsushita s Board of Directors with sufficient information (hereinafter referred to as the Large-scale Purchase Information) so that the company s shareholders may make decisions and the Board of Directors may form its opinion regarding such Large-scale Purchase. The Large-scale Purchase Information includes the following:

(1) an outline of the Large-scale Purchaser and its group;

(2) the purposes and conditions of the Large-scale Purchase;

(3) the basis for determination of the purchase price and funds for purchase; and

(4) management policies and business plans which the Large-scale Purchaser intends to adopt after the completion of the Large-scale Purchase.

Since details of the Large-scale Purchase Information may vary depending on each specific Large-scale Purchase, the Board of Directors, first of all, requires the Large-scale Purchaser to submit to Matsushita a letter of intention to comply with the Large-scale Purchase Rules, specifying the name of the Large-scale Purchaser, address, governing law of incorporation, the name of the representative, contact details in Japan and an outline of the proposed Large-scale Purchase. Within five business days after receipt of such letter, the Board of Directors will deliver to the Large-scale Purchaser a list of the Large-scale Purchase Information to be initially provided by the Large-scale Purchaser. If the information initially provided by the Large-scale Purchaser is deemed insufficient as Large-scale Purchase Information, the Board of Directors may require additional information until it receives sufficient information. The Board of Directors will disclose the proposed Large-scale Purchase and all or part of the Large-scale Purchase Information submitted to the Board of Directors at the time it deems appropriate, if such disclosure is considered necessary for shareholders to make decisions.

After all the Large-scale Purchase Information is provided, Matsushita s Board of Directors should be allowed a sixty day period (in the case of the purchase of all Matsushita shares by a tender offer with cash-only (yen) consideration) or a ninety day period (in the case of any other Large-scale Purchase), depending on the difficulty level of assessment, as the period during which it will assess, examine, negotiate, form an opinion and seek alternatives (hereinafter referred to as the Assessment Period). The Large-scale Purchase, therefore, shall be commenced only after the Assessment Period has elapsed. The Board of Directors will thoroughly assess and examine the proposed Large-scale Purchase with advice from outside experts during the Assessment Period, and carefully form and disclose its opinion. As mentioned above, the Board of Directors may negotiate with the Large-scale Purchaser in order to improve the terms of the proposed Large-scale Purchase or it may offer alternative plans to shareholders, as necessary.

Table of Contents

3. Countermeasures against non-compliance with the Large-scale Purchase Rules

If a Large-scale Purchaser does not comply with the Large-scale Purchase Rules, Matsushita s Board of Directors may take countermeasures against the Large-scale Purchaser to protect the interests of all shareholders. Countermeasures include the implementation of stock splits, issuance of stock acquisition rights or any other measures that the Board of Directors is permitted to take under the Commercial Code of Japan or other laws and the company s articles of incorporation. The Board of Directors will adopt specific countermeasures which it deems appropriate at that time. If the Board of Directors elects to make a stock split for shareholders as of a certain record date, the maximum ratio of the stock split shall be five-for-one. If the Board of Directors elects to issue stock acquisition rights in a rights offering, the outline of the issuance thereof shall be as described in the attachment hereto. If the Board of Directors elects to issue stock acquisition rights as a countermeasure, it may determine the exercise period and exercise conditions of the stock acquisition rights in consideration of the effectiveness thereof as a countermeasure.

The purpose of the Large-scale Purchase Rules is to provide an opportunity for Matsushita s shareholders to receive necessary information about the Large-scale Purchase, as well as the opinion and any alternative plans from Matsushita s Board of Directors, in order to determine whether or not the Large-scale Purchase is acceptable. Matsushita believes these rules will benefit shareholders by providing them with sufficient information to make a decision about a Large-scale Purchase that may have an impact on the management of the company. If a Large-scale Purchaser complies with the Large-scale Purchase Rules, the Board of Directors does not intend to prevent the Large-scale Purchase at its own discretion, unless it is clear that such Large-scale Purchase will cause irreparable damage or loss to Matsushita. The company believes that the establishment of the Large-scale Purchase Rules and countermeasures to be taken in the event of non-compliance with such rules are reasonable and appropriate in order to protect the legitimate interests of all Matsushita shareholders. The company recognizes that the aforementioned countermeasures may cause damage or loss, economic or otherwise, to a prospective Large-scale Purchaser who does not comply with the Large-scale Purchase Rules. Thus, the company is hereby advising in advance against commencing a Large-scale Purchase that does not comply with the Large-scale Purchase Rules.

Table of Contents

- 5 -

The meeting of the Board of Directors, at which this policy was adopted, was held with all of the four Corporate Auditors of Matsushita (two of whom are outside Corporate Auditors) present. Each Corporate Auditor stated agreement with this policy on condition that this policy is duly implemented. The company amended the Articles of Incorporation in 2003, whereby the terms of office of all Directors were set for one year. Directors of Matsushita are elected at an annual general meeting of shareholders in June of each year. The terms of office of the current Directors will expire at the conclusion of the annual general meeting of shareholders to be held in June of this year. Matsushita will review whether to continue this policy at a meeting of the Board of Directors to be held after the annual general meeting of shareholders and announce its determination as soon as practicable. Matsushita s Board of Directors intends to review the Large-scale Purchase Rules from time to time for reasons including the enforcement of new Company Law in Japan, which is expected to take effect next year and any other enactments of legislation. Any such review would be conducted strictly from the viewpoint of the interests of all shareholders.

Notes:

1. A group of shareholders means a holder (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law, including a person deemed as a holder pursuant to Paragraph 3 thereof) of shares and other securities (defined in Paragraph 1, Article 27-23 of the Securities and Exchange Law) or a person or a company who makes a purchase (defined in Paragraph 1, Article 27-2 of the Securities and Exchange Law, including a purchase made on a securities exchange market) and any joint holders (defined in Paragraph 5, Article 27-23 of the Securities and Exchange Law, including a person deemed as a joint holder pursuant to Paragraph 6 thereof) and any specially related parties (defined in Paragraph 7, Article 27-2 of the Securities and Exchange Law).

2. The number of total voting rights shall be the number of voting rights with respect to all issued shares of Matsushita at the relevant time, excluding the shares held by Matsushita as treasury stock, the number of which appears in the latest Treasury Stock Purchase Report under the Securities and Exchange Law.

3. ESV stands for Enhancement of Shareholder Value.

Table of Contents

- 6 -

(Attachment)

Outline of issuance of stock acquisition rights

(In case the Board of Directors elects to issue stock acquisition rights in a rights offering)

1. Shareholders who are entitled to receive stock acquisition rights and conditions of issuance thereof :

One stock acquisition right shall be granted to a shareholder, per one share held by such shareholder (excluding the shares held by Matsushita as treasury stock), whose name is recorded in the register of shareholders or the register of beneficial shareholders as of the record date to be specified by the Board of Directors.

2. Type and number of shares to be acquired upon exercise of stock acquisition rights :

The type of shares to be acquired upon exercise of stock acquisition rights shall be common stock, and the number of shares to be acquired upon exercise of one stock acquisition right shall be one share.

3. Total number of stock acquisition rights to be issued :

The total number of stock acquisition rights to be granted shall be determined by the Board of Directors up to 5 billion stock acquisition rights. The Board of Directors may grant stock acquisition rights more than once within the maximum number of 5 billion stock acquisition rights to be granted in total.

4. Issue price of each stock acquisition right :

Zero yen

5. Amount to be paid upon exercise of a stock acquisition right :

The amount to be paid upon exercise of a stock acquisition right shall be one Japanese yen or more to be determined by the Board of Directors.

6. Restriction on transfer of stock acquisition rights :

Stock acquisition rights may only be transferred with the approval of the Board of Directors.

7. Exercise period and other conditions of stock acquisition rights :

Exercise period, conditions of exercise, conditions of cancellation and other conditions of stock acquisition rights shall be determined by the Board of Directors.

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Table of Contents

April 28, 2005

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Media Contacts:

Akira Kadota (Tokyo)

International PR

(Tel: +81-3-3578-1237)

Panasonic News Bureau (Tokyo)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

Brendon Gore (Europe)

(Tel: +44-20-8899-2217)

Investor Relations Contacts:

Makoto Mihara (Osaka)

Investor Relations

(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)

Panasonic Finance (America), Inc.

(Tel: +1-212-698-1365)

Norio Iino (Europe)

Panasonic Finance (Europe) plc

(Tel: +44-20-7562-4400)

Matsushita Announces Plans to Increase Dividends for Fiscal 2006

Osaka, Japan, April 28, 2005 Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]), best known for its Panasonic brand, today announced that its Board of Directors approved a plan to increase the total cash dividends per share for the current fiscal year, ending March 2006 (fiscal 2006).

Details are as follows:

1. Background

Matsushita has carried out a wide range of initiatives, including business restructuring and the establishment of a business domain-based organizational structure. Furthermore, through implementation of initiatives to achieve the goals of the company s 3-year Leap Ahead 21 plan, which began in fiscal 2005, Matsushita aims to further accelerate growth. Matsushita thus strives to maximize shareholder value and proactively provide return to shareholders, in line with its policy of shareholder-oriented management.

Based on this policy, on October 28, 2004, Matsushita announced that its Board of Directors changed the company s policy regarding returns to shareholders, which historically emphasized a stable level of dividends, to a new policy which takes into consideration consolidated business performance. Accordingly, Matsushita today announced its intention to increase total cash dividends per share for fiscal 2006, ending March 2006.

Table of Contents

- 2 -

2. Dividends for Fiscal 2006

Matsushita plans to increase interim and year-end cash dividends per share for fiscal 2006 compared with the dividends for fiscal 2005, as shown below.

	Interim dividends per share	**Year-end dividends per share**	**Total dividends per share for the fiscal year**
Dividends for fiscal 2006	10.00 yen (planned)	10.00 yen (planned)	20.00 yen (planned)
(Reference) Dividends for fiscal 2005	7.50 yen	7.50 yen (planned)	15.00 yen (planned)
(Reference) Dividends for fiscal 2004	6.25 yen	7.75 yen (including 1.50 yen commemorative dividend)	14.00 yen (including 1.50 yen commemorative dividend)

3. Matsushita s Policy for Providing Return to Shareholders

Matsushita aims to maximize shareholder value by enhancing its reputation in capital markets through the steady growth of its mid-term business performance and return of profits to shareholders, based on its consolidated business performance.

In particular, Matsushita will provide return to shareholders through dividend payments and own share repurchases, upon careful consideration of consolidated cash flows.

1) Dividends:

From the perspective of return on the capital investment made by shareholders, Matsushita will, in principle, distribute profits to shareholders based on its consolidated business performance. Matsushita also aims for promoting stable and continuous growth of return to shareholders, while at the same time taking into consideration various factors including mid-term business performance, capital expenditure requirements and the company s financial condition.

Table of Contents

- 3 -

2) Own share repurchases:

Matsushita will implement shareholder-oriented management by enhancing shareholder value per share through a reduction, in effect, of the number of outstanding shares. This will be accomplished by repurchasing the company s own shares with surplus cash flows.

Disclaimer Regarding Forward-Looking Statements

This press release includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Matsushita and its Group companies (the Matsushita Group). To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Matsushita Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Matsushita Group s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Matsushita undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by Matsushita in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, Asian currencies and other currencies in which the Matsushita Group operates businesses, or in which assets and liabilities of the Matsushita Group are denominated; the ability of the Matsushita Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the ability of the Matsushita Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Matsushita Group to maintain competitive strength in many product and geographical areas; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Matsushita Group has holdings; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes and other events that may negatively impact business activities of the Matsushita Group.

# # #

Table of Contents

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Akira Kadota (Tokyo)

International PR

(Tel: +81-3-3578-1237)

Panasonic News Bureau (Tokyo)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

Brendon Gore (Europe)

(Tel: +44-20-8899-2217)

Investor Relations Contacts:

Makoto Mihara (Osaka)

Investor Relations

(Tel: +81-6-6908-1121)

Akihiro Takei (U.S.)

Panasonic Finance (America), Inc.

(Tel: +1-212-698-1365)

Norio Iino (Europe)

Panasonic Finance (Europe) plc

(Tel: +44-20-7562-4400)

Matsushita to Execute Own Share Repurchase

Osaka, Japan, April 28, 2005 Matsushita Electric Industrial Co., Ltd. (Matsushita [NYSE symbol: MC]), best known for its Panasonic brand, announced that its Board of Directors today resolved to repurchase its own shares, pursuant to Article 211-3, Paragraph 1, Item 2 of the Commercial Code of Japan.

1. Reason for Share Repurchase

This resolution is a part of continuing efforts to enhance corporate value through shareholder-oriented management, and enables flexible and agile capital management, while increasing shareholder value per share.

2. Details of Share Repurchase

1. Class of shares: Common stock
2. Aggregate number of repurchaseable shares: Up to 120 million shares (4.9% of the total number of shares issued)
3. Aggregate repurchase amount: Up to 150 billion yen
4. Period of repurchase: From May 2, 2005 to late March 2006

(Reference)

Total number of shares issued and treasury stock as of March 31, 2005:

Total number of shares issued (excluding treasury stock): 2,258,357,710 shares
Treasury stock: 194,695,787 shares

# # #

Table of Contents

April 28, 2005

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Akira Kadota (Tokyo)

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(Tel: +81-3-3578-1237)

Panasonic News Bureau (Tokyo)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

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	-	
Purchase of treasury shares	(100,089)	-
Net cash used in financing activities	(100,429)	(134)
Net increase in cash and cash equivalents	9,493	21,356
Cash and cash equivalents, beginning of the year	91,553	70,225
Effect of exchange rate changes on cash and cash equivalents	252	(28)

The notes on pages 64 to 109 are an integral part of these consolidated financial statements.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. General information

Global Sources Ltd. (the "Company") and its subsidiaries (together "Group")'s principal business is to provide services that allow global buyers to identify suppliers and products, and enable suppliers to market their products to a large number of buyers. The Group's primary online service is creating and hosting marketing websites that present suppliers' product and company information in a consistent, easily searchable manner on Global Sources Online. Complementing this service are various trade magazines. The Group launched China Sourcing Fairs exhibitions in 2003. These exhibitions offer international buyers direct access to China and other Asian manufacturers. The Group's businesses are conducted primarily through Trade Media Limited, its wholly owned subsidiary, which was incorporated in October 1984 under the laws of Cayman Islands. Through certain other wholly owned subsidiaries, the Group also organizes China Sourcing Fairs exhibitions, conferences and exhibitions on technology related issues, licenses Asian Sources/Global Sources Online and catalog services.

The Company was incorporated in Bermuda. The Company's registered office address is Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.

These financial statements were authorized for issue by the executive committee of the Board of Directors on April 18, 2011.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Global Sources Ltd. have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB"). These are the Group's first consolidated financial statements prepared in accordance with IFRSs and IFRS 1, "First Time Adoption of International Financial Reporting Standards", has been applied.

The Group has adopted all issued IFRS standards and the adoption was carried out in accordance with IFRS 1. For all periods up to and including the year ended December 31, 2009, the Group prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") or "Previous GAAP", as defined in IFRS 1. Until the adoption of IFRS, the Group's financial statements that were included in its reports filed with or furnished to the U.S. Securities and Exchange Commission were prepared in accordance with U.S. GAAP.

An explanation of how the transition to IFRS has affected the Group's financial position, financial performance and cash flow is detailed in note 3.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5. Actual results could differ from those estimates and such differences could affect the results of operations reported in future periods.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its majority owned or otherwise controlled subsidiaries.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All significant inter-company transactions and balances are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Investments in subsidiaries are accounted for at cost less impairment by the Company. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in the income statement.

2.3 Segment reporting

The Group identifies its operating segments based on business activities, management responsibility and geographic location. The Group has determined the reportable segments based on the business activities whose operating results are reviewed by the Group's chief operating decision maker, which is the Company's Board of Directors to assess their performance and to make decisions about resources to be allocated to each segment.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').The Company's functional currency is USD. The consolidated financial statements are presented in United States dollar ("$" or "USD"), which is the Group's presentation currency.

(b) Transactions and balances

Transactions in currencies other than the functional currency are measured and recorded in the functional currency using the exchange rate in effect on the date of the transaction. As of the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated using the exchange rate at the balance sheet date. All gains and losses arising from foreign currency transactions and translation of foreign currency denominated accounts are recognized in the income statement.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Group companies

The financial statements of the subsidiaries reported in their respective local currencies are translated into U.S. dollars for consolidation as follows:

(i) assets and liabilities at the closing exchange rate as of the balance sheet date,
(ii) shareholders' equity at the historical rates of exchange,
(iii) income and expense amounts at the average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions),
(iv) all resulting translation differences are recorded in other comprehensive income and accumulated in "currency translation reserve" within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations after the date of transition to IFRS are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2.7). Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation on property and equipment is calculated to depreciate their cost on a straight-line basis over their estimated useful lives as follows:

Buildings	Over the remaining lease period or 50 years whichever is shorter
Leasehold improvements	5 years
Computer equipment and software	3 years
Fixtures, fittings and office equipment	5 years
Reusable trade show booths	2 years
Motor vehicles	5 years

No depreciation was recognized for capital work-in-progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill on acquisition of subsidiaries on or after the date of transition to IFRS represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGU) 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.

(b) Trademarks

Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 14 years.

(c) Contractual backlog and others

Contractual backlog and others acquired in a business combination mainly relates to customer relationships which are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship of 9 months.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(d) Non-compete agreements

Intangible assets relating to non-compete agreements with the Group's former employees and consultants and to the former employees of third party service providers (collectively known as "Team Members"), are recorded at fair values at the date the respective agreements are entered into and are carried at cost less accumulated amortization. Amortization is calculated using a straight-line basis over the non-compete period of 5 years. The fair values are estimated based on the cash flow valuation model whereby valuation inputs include an estimate of future cash flows expected to be generated by the asset (note 2.14 (b)).

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "accounts receivable", "receivables from sales representatives", "term deposits with banks", "cash and cash equivalents" and assets other than " prepaid expenses", "deferred expenses" and "club memberships" included in the "prepaid expenses and other current assets" and "other non-current assets" in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. They are included in current assets unless the investment matures or management intends to dispose of it more than 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables (note 2.8.3).

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Changes in the fair value of available-for-sale securities are recognized in other comprehensive income and accumulated in "fair value reserve" within equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are measured at cost less provision for impairment in value.

2.8.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

For loans and receivables, the Group estimates the collectability of the trade receivables based on the analysis of trade receivables, historical bad debts, customer credit-worthiness and current economic trends and maintains adequate impairment allowance. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement. When an amount of receivables is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the consolidated income statement.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Cost includes the purchase cost and the delivery costs incurred in bringing the inventory to the warehouse. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with insignificant risk of change in value.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Employee benefits

(a) Retirement contribution plans

Group companies operate a number of retirement contribution plans. The Group pays contributions to privately administered retirement contribution plans or government authorities on a mandatory, contractual or voluntary basis based on a percentage of each eligible employee's salary. Employees working in a jurisdiction where there is no statutory provision for retirement contributions are covered by the Company's plans. Once the contributions have been paid, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due.

2.14 Non-cash compensation expenses

(a) Share grants to employees and non-employees

The Company operates a number of equity-settled compensation plans, under which the Company receives services from employees and non-employees as consideration for equity instruments of the Company. The Group's employee and non-employee equity compensation plans are share grants without any exercise price or exercise period. Therefore, the fair value of the share grants at the date of grant approximates the intrinsic value. The fair value of the employee or non-employee services received in exchange for the grant of the shares is recognized as an expense in the income statement with a corresponding increase in "capital reserve" within equity.

Non-market vesting conditions are included in assumptions about the number of share grants that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Company made share awards to its directors under The Global Sources Directors Share Grant Award Plan. These awards are share grants without any exercise price or exercise period. Therefore, the fair value of the share grants at the date of grant approximates the intrinsic value. The Company recognizes the compensation costs associated with share awards with cliff vesting to directors on a straight-line basis over the vesting period.

-71-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Share grants to team members

The Company issues share grants to former employees and consultants and to the former employees of third party service providers (collectively known as "Team Members") after they resigned or retired 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 a percentage of shares vesting each year. The grantee is subject to the non-compete terms stipulated in the plan. The Company has the ability to enforce the non-compete agreement by forfeiting the shares if the grantee fails to comply with the non-compete terms. There is no other vesting condition other than the non-compete terms.

The Company recognizes an intangible asset relating to the non-compete provisions of these awards at the fair value of the respective award. The intangible asset is amortized over the non-compete period on a straight-line basis (note 2.6 (d)).

2.15 Revenue recognition

The Group derives its revenues from advertising fees in its published trade magazines and websites, sales of trade magazines and reports, fees from licensing its trade and service marks, and organizing exhibitions and business seminars.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales within the Group. The Group presents the sales taxes imposed on revenue generating transactions on a gross basis in "sales costs".

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Revenues from advertising in trade magazines and websites, net of discounts, are recognized ratably over the period in which the advertisement is displayed. Revenue from sales of trade magazines and reports is recognized upon delivery of the magazine/report. Magazine subscriptions received in advance are deferred and recognized as revenue upon delivery of the magazine. Revenue from organizing exhibitions and business seminars is recognized at the conclusion of the event and the related direct event production costs are deferred and recognized as expenses upon conclusion of the event. When multiple deliverables are contracted under a single arrangement, the Group allocates the total consideration to each unit of accounting based on its relative percentage of the total fair value of all units of accounting included in the arrangement. Where the Group is unable to determine the fair value of each of the unit in an arrangement, total consideration is allocated by estimating the stand-alone selling price for one performance obligation if a directly observable price exists.

The Group receives royalties from licensing its trade and service marks. Royalties from license arrangements are earned ratably over the period in which the advertisement is displayed by the licensee. Barter transactions are recorded at the fair value of the merchandise or services received. Where the fair value of the merchandise or services received cannot be measured reliably, the revenue is measured at the fair value of the services rendered.

Interest income is recognized using the effective interest method.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group leases certain office facilities and exhibition venues under cancelable and non-cancelable operating leases, generally with an option to renew upon expiry of the lease term. Rentals under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the life of the leases.

2.17 Advertising Expenses

Advertising and promotion expenses are expensed as incurred.

2.18 Transactions with Sales Representatives

The Group utilizes sales representatives in various territories to promote the Group’s products and services. Under these arrangements, these sales representatives are entitled to commissions as well as marketing fees. For online and other media services, the commission expense is recognized when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier. For exhibitions, the commission expense is recognized when the associated revenue is recognized, upon conclusion of the event.

These sales representatives, which are mainly corporate entities, handle collections from clients on behalf of the Group. Included in receivables from these sales representatives are amounts collected on behalf of the Group.

2.19 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

3. Transition to IFRS

These are the Group’s first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2010, the comparative information presented in these financial statements for the year ended December

31, 2009 and in the preparation of an opening IFRS balance sheet at January 1, 2009 (the Group's date of transition).

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared under U.S. GAAP. An explanation of how the transition from U.S. GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

3.1. Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from U.S. GAAP to IFRS.

1.1 IFRS exemption options

1.1.1 Exemption for business combinations

IFRS 1 provides the option to apply IFRS 3, "Business combinations", prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Group elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

1.1.2 Exemption for cumulative translation differences

IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, "The effects of changes in foreign exchange rates" from the date a subsidiary or equity method investee was formed or acquired. The Group elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its transition date.

1.1.3 Non-cash compensation expenses

IFRS 1 provides certain accommodations for applying IFRS 2, "Share-based payment" to equity instruments granted before the date of transition. In line with the exemption, the Group elected to apply IFRS 2 to unvested equity awards as at January 1, 2009 and all new awards granted after its transition date. Equity instruments granted on or before November 7, 2002 as well as those equity awards granted after November 7, 2002 but vested before January 1, 2009 have not been restated.

1.2 IFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from U.S. GAAP to IFRS.

1.2.1 Exception for estimates

IFRS estimates as at January 1, 2009 are consistent with the estimates as at the same date made in conformity with U.S. GAAP.

1.2.2 Non-controlling interests

IFRS 1 requires a first time adopter to apply the requirements in IAS 27 in respect of the attribution of total comprehensive income to the owners of the parent and to the non-controlling interests (even if this results in the non-controlling interests having a deficit balance), the accounting for changes in the parent's ownership

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

interest in a subsidiary that do not result in a loss of control and the accounting for a loss of control over a subsidiary. These are prospectively applied from the date of transition to IFRS.

3.2. Reconciliations of U.S. GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from U.S. GAAP to IFRS for the respective periods:

Reconciliation of total equity as of January 1, 2009 and December 31, 2009:

	As at December 31, 2009	As at January 1, 2009
Total equity as reported under U.S. GAAP	$170,973	$146,143
Revenue recognition – Online and other media services	857	2,463
Business combination – Fair value of non-controlling interest (note 28)	(249)	-
Total equity under IFRS	$171,581	$148,606

Reconciliation of total comprehensive income for the year ended December 31, 2009:

	Year ended December 31, 2009
Total comprehensive income reported under U.S. GAAP	$17,362
Revenue recognition – Online and other media services (note i)	(1,606)
Non-cash compensation expenses	123
Total comprehensive income under IFRS	$15,879

The impact on the total operating, investing or financing cash flows for the year ended December 31, 2009 arising from the Group's first-time adoption was the reclassification of $324 interest received from operating cash flows to investing cash flows.

Reconciliation of material adjustments to the balance sheet as at January 1, 2009 and December 31, 2009 is as follows:

	US GAAP	Effect of transition to IFRS	IFRS

As at 1 January 2009			
Deferred income and customer prepayments (note i)	$(73,636)	$2,463	$(71,173)
Other reserves (U.S. GAAP: Additional paid in capital and accumulated other comprehensive income) (note ii and iii)	$(136,147)	$(90)	$(136,237)
Retained earnings	$(55,259)	$(2,373)	$(57,632)

-75-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

As at 31 December 2009			
Deferred income and customer prepayments (note i)	$(73,841)	$857	$(72,984)
Other reserves (U.S. GAAP: Additional paid in capital and accumulated other comprehensive income) (note ii)	$(141,327)	$(300)	$(141,627)
Retained earnings	$(71,369)	$(557)	$(71,926)

The following explains the material adjustments to the balance sheets and the income statements:

(i) Revenue recognition – online and other media services

Under U.S. GAAP, the online and other media services are accounted for as one unit of accounting as it does not meet the separation criteria under U.S. GAAP. Therefore, the revenue arising from the rendering of online and other media services is taken as a whole and recognized ratably over the period in which the advertisement is displayed.

Under IFRS, it is necessary to separate the online and print services into identifiable components in order to reflect the substance of the transaction and such separation is appropriate when the identifiable components have standalone value and their fair value can be reliably measured. Accordingly, the revenues for online service and other media service are recognized ratably over the advertisement display period in which the online advertisement is delivered one month earlier than other media advertisement. This resulted in a decrease in revenue by $1,606 for the year ended December 31, 2009 (January 1, 2009: increase in retained earnings by $2,463).

(ii) Non-cash compensation expenses

Under U.S. GAAP, the definition of employee focuses on and is driven by the legal definition of an employee within certain specific exceptions/exemptions. The Group has adopted the straight-line method to account for the fair values of share grants to employees. Thus, the compensation costs associated with share awards with graded vesting to employees were recognized on a straight-line basis over the requisite service period for the entire award. For share grants to non-employees, the Group re-measured the fair value of the share grants to non-employees at each interim financial reporting date before the measurement date, for the purpose of recognizing the non-cash compensation costs during those financial reporting periods. The fair values of the unvested share grants were computed by reference to the closing market price at each of the interim reporting dates. For vested shares, compensation cost was measured using the closing market prices on the vesting dates.

Under IFRS, the definition of employee is broader than under U.S. GAAP and it focuses on the nature of services provided. Thus, awards granted to non-employees for services under U.S. GAAP will be accounted for in the same way as employee awards for services under IFRS. Each tranche of an award is treated as a separate grant under IFRS and thus each tranche will be separately measured and attributed to income statement over the related vesting period.

The Group has elected to apply IFRS 2 to unvested equity awards as at January 1, 2009 and all new awards granted after its transition date as allowed by IFRS 1. The differences in treatment under U.S. GAAP and IFRS resulted in an increase in the total comprehensive income under IFRS by $123 for the year ended December 31, 2009 (January 1, 2009: decrease in retained earnings by $2,315). Total equity was not changed as a result of these differences.

-76-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(iii) Currency translation differences

As allowed by IFRS 1, the Group has elected to reset its cumulative translation adjustment account to zero through an adjustment to opening retained earnings at January 1, 2009. Accordingly, the translation reserve as at this date of $2,225 under US GAAP is eliminated against retained earnings. Total equity was not changed as a result of this reclassification.

Such an adjustment to retained earnings is permanent, and gains or losses on subsequent disposals of foreign operations will exclude translation differences that arose before the transition date. This resulted in an increase in expenses in the income statement by $333 for the year ended December 31, 2009 due to the reversal of US GAAP cumulative translation losses recycled to income statement upon disposal. Total comprehensive income was not changed as a result of these differences.

(iv) Presentation reclassifications

In addition to the adjustments arising from transition to IFRS explained above, the following reclassification has been made to comparative financial statements in order to conform with current year presentation. Revised presentation is to provide better information to the user of the financial statements and does not result in a change in the Group's income before and after income taxes.

The reclassification is as follows:

- Content costs of $9,816 have been reclassified from general and administrative costs, combined with community costs and presented as "community and content" costs
- Information technology support services costs of $6,373 have been reclassified from general and administrative costs, combined with online services development costs and presented as "information technology" costs
- Amortization of intangibles and software costs of $1,270 were reclassified to general and administrative costs
- Net foreign exchange gains of $237 were reclassified to general and administrative costs

4. Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out by a group of senior management personnel. This particular group identifies, evaluates and takes appropriate measures to alleviate financial risks in close co-operation with the Group’s operating units. The Board of Directors provide direction for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

-77-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Chinese Renminbi (“RMB”). Foreign currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. A majority of the Group’s contracts with customers are denominated and priced in foreign currencies. The conversion of these contract proceeds to USD could result in losses and reflects the foreign exchange risk assumed by the Group between contract signing and the conversion of cash into USD.

The Group has not engaged in foreign currency hedging activities. Historically a majority (ranging between 98% to 99%) of the revenue is denominated in USD or is received in the Hong Kong Dollar (“HKD”), which is currently pegged to the USD, the RMB which historically remained relatively stable but strengthened during the past two years against the USD and the New Taiwan Dollar (“TWD”) which is relatively stable against USD.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through identification of the specific risks and taking appropriate measures to alleviate the risk.

At December 31, 2010, if the USD had weakened/strengthened by 3% (2009: 7%) against the RMB with all other variables held constant, profit for the year would have been $799 (2009: $701) higher/lower as a result of foreign currency gains/losses on translation of RMB denominated monetary assets and liabilities.

(ii) Cash flow and fair value interest rate risk

The Group has no interest-bearing borrowings as of December 31, 2009 and 2010. The Group’s exposure to changes in market interest rates is mainly attributable to its interest-bearing assets including term deposits with banks and cash and cash equivalents. As of December 31, 2010 and December 31, 2009, the term deposits with banks are all fixed interest rate instruments.

(iii) Credit risk

Credit risk arises from investments in checking and savings accounts, debt securities issued by U.S. Treasury, term deposits with banks, available-for-sale securities, accounts receivable and receivables from sales representatives.

The Company maintains checking, money market accounts, term deposits with banks, debt securities issued by U.S. Treasury held in custody with banks and available-for-sale securities with high quality institutions. The Company has a large number of customers, operates in different geographic areas and generally does not require collateral on accounts receivable or receivables from sales representatives. The Company generally collects in advance from customers in markets with higher credit risk. In addition, the Company is continuously monitoring the credit transactions and maintains impairment allowance where necessary.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Accounts receivable and receivables from sales representatives that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(iv) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Group invests its 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 its business.

Generally, the Group holds securities with specified maturity dates such as U.S. Treasury Bills until their maturity. The Group does 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. Its objective is to invest to support the Group's capital preservation strategy.

The Company's financial liabilities which consist of accounts payable and accrued liabilities are due within 12 months and their contractual undiscounted cash flows approximate their carrying amount as the impact of discounting is not significant.

(v) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders and issue new shares. Currently the Group has no external borrowings and is not subject to any externally imposed capital requirements. The Group defines the total equity as the capital of the Group.

(vi) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2009.

	Level 1	Level 2	Level 3	Total
Asset				
Available-for-sale securities	$6,423	-	-	$6,423
Total asset	$6,423	-	-	$6,423

-79-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

There were no financial instruments measured at fair value at December 31, 2010.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily or available-for-sale financial assets.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income Taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues (note 10) based on reasonable estimates of whether additional taxes will be due. 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 in the period in which such determination is made.

(b) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 13).

There will be no impact to the Group's results after tax if the post-tax discount rate applied to the discounted cash flows for the acquired subsidiary at December 31, 2010 is raised by 1%, with all other variables including tax rate being held constant.

6. Segment information

Management has determined the operating segments based on the business activities whose operating results are reviewed by the Group's chief operating decision maker ("CODM"), which is the Company's Board of Directors to assess their performance and to make decisions about resources to be allocated to each segment.

The Group considers the business from business segment perspective. The reportable operating segments derive their revenue primarily from the online and other media services and from the exhibitions.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Miscellaneous revenue consists mainly of technical services fee income and rental income. The results of these operations are included in the "all other segments" column.

The CODM assesses the performance of the operating segments based on a measure of profit/loss from operations. This measurement basis excludes interest income. Other gains or losses comprising gain on sale of available-for-sale financial assets and impairment loss on available-for-sale financial assets are not allocated to segments, as this type of activity is driven by the treasury of the Group, which manages the cash position of the Group.

The segment information provided to the CODM for the reportable segments for the year ended December 31, 2010 is as follows:

	Online and other media services	Exhibitions	All other segments	Total
Revenue from external customers	$122,203	$69,450	$4,996	$196,649
Reportable segment profit from operations	$17,426	$5,069	$3,131	$25,626
Depreciation and amortization	$3,346	$1,580	$1,742	$6,668
Other material non-cash items:				
Non-cash compensations expenses.	$1,394	$793	-	$2,187
Additions to property and equipment and intangible assets	$2,676	$1,520	$109	$4,305
Reportable segment assets	$126,114	$94,610	$4,979	$225,703

The segment information for the year ended December 31, 2009 is as follows:

	Online and other media services	Exhibitions	All other segments	Total
Revenue from external customers	$113,775	$55,147	$3,985	$172,907
Reportable segment profit from operations	$10,684	$1,510	$2,235	$14,429
Depreciation and amortization	$4,506	$1,107	$1,732	$7,345
Other material non-cash items:				
Non-cash compensations expenses	$1,177	$571	-	$1,748
Additions to property and equipment and intangible assets	$2,753	$9,635	$97	$12,485
Reportable segment assets	$166,247	$99,663	$5,683	$271,593

-81-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The segment information as at January 1, 2009 is as follows:

	Online and other media services	Exhibitions	All other segments	Total
Reportable segment assets	$160,962	$76,973	$7,117	$245,052

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

Revenue from barter transactions was $2,604 and $2,327 for the years ended December 31, 2009 and 2010, respectively. Similarly, the expenses from barter transactions were $3,137 and $2,439 for the years ended December 31, 2009 and 2010, respectively.

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the total assets attributable to each segment.

A reconciliation of the reportable segment profit to profit before income taxes is provided as follows:

	2010	2009
Total profit or loss for reportable segments	25,626	14,429
Unallocated amounts:		
Interest income	510	981
Gain on sale of available-for-sale securities	1,223	-
Profit before income taxes	27,359	15,410

Revenues from external customers are derived mainly from online and other media services and from the exhibitions. The online and other media services comprise online services and print services. Technical services fee income and rental income are included in the "miscellaneous".

Breakdown of the revenue from all services is as follows:

	2010	2009
Revenues		
Online services	$96,125	$84,271

Print services	26,078	29,504
Exhibitions	69,450	55,147
Miscellaneous	4,996	3,985
	$196,649	$172,907

-82-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Geographic information

Revenues by geographic locations are based on the location of the customer. Segment assets are based on the location of the assets. Non-current assets exclude investments and deferred income tax assets.

	2010	2009
Revenues		
China	$148,418	$123,878
Rest of Asia	41,228	41,919
United States	5,947	5,978
Europe	382	286
Others	674	846
	$196,649	$172,907

	December 31, 2010	December 31, 2009	January 1, 2009
Non-current assets			
China and rest of Asia	$89,519	$89,454	$84,218
	$89,519	$89,454	$84,218

There are no revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenue (2009: nil).

7. Interest income

	2010	2009
Interest income		
Treasury bills and balances with banks	$103	$56
Term deposits with banks	407	919
Available-for-sale financial assets	-	6
	$510	$981

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

8. Expenses by nature

	2010	2009
Depreciation of property and equipment (note 12)	$5,379	$6,232
Amortization of intangible assets (note 13)	1,289	1,137
Total depreciation and amortisation	$6,668	$7,369
Employee benefit expenses (note 9)	24,778	24,226
Rental expense on operating leases	13,739	12,489
Content, community and administrative services fees	25,215	23,503
Advertising costs	8,945	8,884
Sales commissions and marketing fees	57,173	52,884
Business tax	8,801	4,411
Legal and professional fees	987	1,218
Magazine, printing and mailing	4,012	5,885
Materials and supplies	9,168	7,469
Other expenses	11,537	10,140
Total operating expenses	$171,023	$158,478

9. Employee benefit expenses

	2010	2009
Wages and salaries	$20,346	$19,795
Retirement contribution plans	1,318	1,242
Non-cash compensation expenses (note 21)	2,257	2,312
Other employee's benefits	857	877
	$24,778	$24,226

10. Income tax expense

The Company and some of its subsidiaries operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies (collectively referred to as "Cayman Islands"). Some of the Company's subsidiaries operate in Hong Kong SAR, Singapore, the People's Republic of China and certain other jurisdictions and are subject to income taxes in their respective jurisdictions. The Company is also subject to withholding taxes for revenues earned in certain other countries.

The Company received an exemption from Bermuda taxation under the Exempted Undertakings Tax Protection Act, 1996 (as amended) of Bermuda until March 28, 2016. The Company's subsidiary in Dubai, United Arab Emirates has been granted a fifty year tax holiday in Dubai since it is located in a Free Trade Zone, which may be subject to further renewal upon expiry of the initial fifty-year period in 2057. The Group did not utilize these tax holidays as of January 1, 2009, December 31, 2009 and December 31, 2010.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Income tax expense for the year consists of:

	2010	2009
Current tax:		
Current foreign tax on profits for the year	$1,357	$783
Total current tax	$1,357	$783
Deferred foreign tax benefit (note 15)	(240)	(285)
Income tax expense	$1,117	$498

The tax on the Group’s profit before income taxes differs from the theoretical amount that would arise using the statutory income tax rate of 0% as follows:

	2010	2009
Profit before income taxes	$27,359	$15,410
Tax calculated at statutory income tax rate of 0% (2009: 0%)	-	-
Tax effect of:		
Foreign income and revenues taxed at higher rates	1,117	513
Impact of change in enacted tax rates	-	(15)
Income tax expense	$1,117	$498

The Company’s subsidiaries are subject to taxation in Hong Kong, the People’s Republic of China, Singapore and other jurisdictions. There are certain open tax assessments as of December 31, 2010. The tax returns of the Company’s subsidiaries remain open to assessment in the following major tax jurisdictions: Hong Kong SAR – for the years 2003 to 2010, Singapore – for the years 2009 to 2010 and the People’s Republic of China – for the years 2006 to 2010.

11. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares

	2010	2009
Profit attributable to equity holders of the Company	$25,251	$14,294
Weighted average number of ordinary shares in issue	40,283,874	44,546,226

Basic earnings per share ($ per share)	$0.63	$0.32

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company consist of share grants.

For share grants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the outstanding share grants. The number of shares so calculated is compared against the number of shares that would have been issued assuming the exercise of the shares granted. The difference is added to the denominator as an issue of ordinary share for no consideration. No adjustment is made to earnings (the numerator).

	2010	2009
Profit attributable to equity holders of the Company	$25,251	$14,294
Weighted average number of ordinary shares in issue	40,283,874	44,546,226
Adjustments for share grants	1,409,742	1,205,211
Weighted average number of ordinary shares for diluted earnings per share	41,693,616	45,751,437
Diluted earnings per share ($ per share)	$0.61	$0.31

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

12. Property and equipment

	Buildings	Leasehold improvement	Computer equipment, software, fixtures, fittings and office equipment and reusable trade show booths	Motor vehicles	Capital work-in-progress	Total
Year ended December 31, 2009						
Cost						
Opening balance	$75,830	$ 11,202	$30,015	$176	$ 49	$117,272
Exchange differences	-	59	288	24	-	371
Additions	-	530	672	164	10	1,376
Reclassification	-	44	15	-	(59)	-
Business acquisition (note 28)	-	-	22	20	-	42
Disposals and write-off	-	-	(401)	(141)	-	(542)
Total cost	$75,830	$ 11,835	$30,611	$243	$ -	$118,519
Year ended December 31, 2009						
Accumulated depreciation						
Opening balance	$2,281	$ 7,839	$24,406	$89	$ -	$34,615
Exchange differences	11	59	271	-	-	341
Additions	1,732	1,404	3,033	63	-	6,232
Disposals and write-off	-	-	(395)	(89)	-	(484)
Total accumulated depreciation	$4,024	$ 9,302	$27,315	$63	$ -	$40,704
Net book amount	$71,806	$ 2,533	$3,296	$180	$ -	$77,815
Year ended December 31, 2010						
Cost						
Opening balance	$75,830	$ 11,835	$30,611	$243	$ -	$118,519
Exchange differences	1,566	263	1,419	1	-	3,249

Additions	-	36	2,368	100	14	2,518
Disposals and write-off	-	-	(55)	(35)	-	(90)
Total cost	$77,396	$ 12,134	$34,343	$309	$ 14	$124,196
Year ended December 31, 2010						
Accumulated depreciation						
Opening balance	$4,024	$ 9,302	$27,315	$63	$ -	$40,704
Exchange differences	93	244	1,350	-	-	1,687
Additions	1,743	1,223	2,361	52	-	5,379
Disposals and write-off	-	-	(53)	(35)	-	(88)
Total accumulated depreciation	$5,860	$ 10,769	$30,973	$80	$ -	$47,682
Net book amount	$71,536	$ 1,365	$3,370	$229	$ 14	$76,514

During 2004, the Company entered into an agreement to purchase approximately 9,000 square meters of office space in a commercial building in Shenzhen, China. The building is situated on a 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

-87-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

the local government authority. The construction was completed and the property was put in use during the year 2005. Depreciation of the property commenced during the year 2005. This building is depreciated on a straight-line basis over the remaining lease term. The depreciation expense on the said building amounted to $414 and $414 during the years ended December 31, 2009 and 2010, respectively. The carrying amounts of the said building at January 1, 2009, December 31, 2009 and December 31, 2010 were $17,830, $17,416 and $17,001, respectively.

During 2007, the Company purchased approximately 1,939 square meters of office space in a commercial building in Shenzhen, China. The building is situated on a 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 the land will revert to the local government authority. The delivery of the office space to the Company was completed in 2007. The depreciation on this property commenced during 2007. The building is depreciated on a straight-line basis over the remaining lease term. The depreciation expense on the said building amounted to $180 and $182 during the years ended December 31, 2009 and 2010, respectively. The carrying amounts of the said building at January 1, 2009, December 31, 2009 and December 31, 2010 were $7,172, $6,990 and $7,080, respectively.

In 2008, the Company purchased approximately 6,365 square meters of office space in a commercial building in Shenzhen, China. The building is situated on a 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 the land will revert to the local government authority. Depreciation of the property commenced during the year 2008. This building is depreciated on a straight-line basis over the remaining lease term. The depreciation expense on the said building amounted to $821 and $830 during the years ended December 31, 2009 and 2010, respectively. The carrying amounts of the said building at January 1, 2009, December 31, 2009 and December 31, 2010 were $36,350, $35,520 and $35,892, respectively.

In 2008, the Company purchased approximately 22,874 square feet of office space, together with 6 car parking spaces, in a commercial building in Hong Kong S.A.R.. The lease period of the land is 55 years, commencing from year 1991. Depreciation of the property commenced during the year 2008, and is being depreciated on a straight-line basis over the remaining lease term. The depreciation expense on the said building amounted to $317 and $317 during the years ended December 31, 2009 and 2010, respectively. The carrying amounts of the said building at January 1, 2009, December 31, 2009 and December 31, 2010 were $12,197, $11,880 and $11,563, respectively.

The total carrying amount of the above four office properties as of December 31, 2010 and December 31, 2009 were $71,536 and $71,806 respectively. The total market values of the above four office properties as of December 31, 2010 and as of December 31, 2009 were $136,416 and $113,402, respectively, based on independent valuation reports. The market valuations of the four properties as of December 31, 2010 were performed by Savills Valuation and Professional Services Limited, Hong Kong.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

13. Intangible assets

	Trademarks	Contractual backlog and others	Non-compete agreements	Goodwill	Total
Year ended December 31, 2009					
Cost					
Opening balance	$-	$-	$ -	$-	$-
Additions	5,464	339	2,809	2,497	11,109
Total cost	$5,464	$339	$ 2,809	$2,497	$11,109
Year ended December 31, 2009					
Accumulated amortization					
Opening balance	$-	$-	$ -	$-	$-
Additions	-	-	1,137	-	1,137
Total accumulated amortization	$-	$-	$ 1,137	$-	$1,137
Net book amount	$5,464	$339	$ 1,672	$2,497	$9,972
Year ended December 31, 2010					
Cost					
Opening balance	$5,464	$339	$ 2,809	$2,497	$11,109
Additions	-	-	1,787	-	1,787
Write-off	-	-	(23)	-	(23)
Total cost	$5,464	$339	$ 4,573	$2,497	$12,873
Year ended December 31, 2010					
Accumulated amortization					
Opening balance	$-	$-	$ 1,137	$-	$1,137
Additions	390	339	560	-	1,289
Write-off	-	-	(2)	-	(2)
Total accumulated amortization	$390	$339	$ 1,695	$-	$2,424
Net book amount	$5,074	$-	$ 2,878	$2,497	$10,449

The Company has recognized intangible assets relating to non-compete agreements with its former employees and team members at fair values as discussed in note 2.14 (b) and note 21. The Company amortizes these intangible assets on straight-line basis over the non-compete term which is specified in the award. Trademarks and contractual backlog and others are acquired in a business combination discussed in note 28.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The amortization expense included in the income statement is analyzed as follows:

	2010	2009
Sales	$148	$223
Community and content	43	111
General and administration	1,084	787
Information and technology	14	16
Total (note 8)	$1,289	$1,137

Impairment test for goodwill:

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segments.

An operating segment-level summary of the goodwill allocation is:

	December 31, 2010	December 31, 2009
Exhibition, Shenzhen PRC	$2,497	$2,497

The recoverable amount of CGU has been determined based on value-in-use calculations. These calculations use cash flow projections by management 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.

Key assumptions used for value-in-use calculations in 2010 and 2009 are as follows:

- Revenue growth rate of 8% (2009: 3%)
- Discount rate of 15% (2009: 13%) applied to the post-tax cash flow projections
- Growth rate beyond five years of 1.5% (2009: 2%)
- Gross margin rate at 37% to 42% (2009: 36%)

These assumptions have been used for the analysis of each CGU within the operating segment.

Management 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 segments.

There was no impairment to goodwill as at December 31, 2010 and December 31, 2009.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14. Financial assets, available-for-sale and long term investments

(a) Financial assets, available-for-sale

	2010	2009
At January 1	$6,423	$60,786
Disposals	(6,751)	(55,258)
Fair value gains recognized in other comprehensive income	328	895
At December 31	$-	$6,423

Financial assets, available-for-sale include the followings:

	December 31, 2010	December 31, 2009	January 1, 2009
Listed securities:			
U.S Treasury bills	$-	$-	$55,258
Other securities	-	6,423	5,528
	$-	$6,423	$60,786

Financial assets, available-for-sale are denominated in the following currencies:

	December 31, 2010	December 31, 2009	January 1, 2009
US dollar	$-	$6,423	$60,786
	$-	$6,423	$60,786

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

None of these financial assets is either past due or impaired (2009: nil).

(b) Long term investments

As at January 1 2009, December 31, 2009 and December 31, 2010, the Company holds equity instruments carried at $100 in a privately held unaffiliated electronic commerce company for business and strategic purposes. The investment is accounted for under the cost method since the ownership is less than 20%, the Company does not have the ability to exercise significant influence over the investee and the fair value cannot be reliably measured. The Company's policy is to regularly review the carrying values of the non-quoted investments and to identify and provide for when circumstances indicate impairment other than a temporary decline in the carrying values of such assets has occurred.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

15. Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Deferred tax assets:			
Deferred tax asset to be recovered after more than 12 months	$496	$446	$232
Deferred tax assets to be recovered within 12 months	8	12	73
	$504	$458	$305
Deferred tax liabilities:			
Deferred tax liabilities to be settled after more than 12 months	$1,397	1,591	272
	$1,397	$1,591	$272
Deferred tax (liabilities)/assets	$(893)	$(1,133)	$33

The gross movement on the deferred income tax account is as follows:

	2010	2009
At January 1	$(1,133)	$33
Credited/(charged) to the income statement	240	285
Acquisition of business (note 28)	-	(1,451)
At December 31	$(893)	$(1,133)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Provisions and expenses	Tax losses	Other	Total
At January 1, 2009	$220	$57	$28	$305
Credited/(charged) to the income statement	90	76	(13)	153
At December 31, 2009	$310	$133	$15	$458
Credited/(charged) to the income statement	(44)	22	68	46
At December 31, 2010	$266	$155	$83	$504

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred tax liabilities	Accelerated tax depreciation	Fair value adjustments on acquisition of business	Total
At January 1, 2009	$ 272	$ -	$ 272
Charged/(credited) to the income statement	(132)	-	(132)
Acquisition of business	-	1,451	1,451
At December 31, 2009	$ 140	$ 1,451	$ 1,591
Charged/(credited) to the income statement	(11)	(183)	(194)
At December 31, 2010	$ 129	$ 1,268	$ 1,397

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognize deferred income tax assets of $7,731 (December 31 2009: $7,385; January 1, 2009: $6,749) in respect of losses amounting to $26,274 (December 31, 2009: $24,586; January 1, 2009: $$21,239) that can be carried forward against future taxable income. Losses amounting to $24,619 (December 31, 2009: $22,964; January 1, 2009: $19,654) expire by 2020, and the remaining losses have no expiry date.

16. Prepaid expenses and other current assets

	December 31, 2010	December 31, 2009	January 1, 2009
Non-current portion:			
Employee housing loans (i)	$ -	$ 88	$ 102
Club memberships	216	272	272
Deferred expenses – exhibition	1,847	997	900
Rental, utility and other deposits	493	310	287
	$ 2,556	$ 1,667	$ 1,561
Current portion:			
Unsecured employee loans (ii)	$ 26	$ 20	$ 39
Temporary advances to employees (iii)	47	-	57
Prepaid expenses	1,281	721	943
Deferred expenses	15,660	11,361	12,896
Other current assets	3,255	1,501	2,578
	$ 20,269	$ 13,603	$ 16,513

(i) The Company has extended loans to some of its employees to finance their purchase or lease of residences. The loans for the purchase of a residence are secured by the subject residence, bear interest at a rate of LIBOR plus 2% to 3% per annum, generally have a term of ten years and become due and payable immediately under certain circumstances, including their termination of employment with the Company.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(ii) The loans for the lease of residence are unsecured, interest free and are repayable in equal monthly installments over the period of the lease, typically less than or equal to twelve months.

There were no loans due from the Company's directors and executive officers as at January 1, 2009, December 31, 2009 and December 31, 2010.

(iii) Other temporary advances to staff are unsecured, interest free and are generally repayable within twelve months.

The fair value of club membership, employee housing loans, employee loans and other receivables at the reporting date approximates its carrying value of each asset mentioned above.

17. Inventories

	December 31, 2010	December 31, 2009	January 1, 2009
Stock of paper, at costs	$435	$600	$1,306
	$435	$600	$1,306

The cost of inventories recognised as expense and included in community and content amounted to $910 and $1,357 for the years ended December 31, 2010 and 2009 respectively.

18. Accounts receivables and receivables from sales representatives

	December 31, 2010	December 31, 2009	January 1, 2009
Accounts receivables	$4,511	$3,772	$6,790
Less: provision for impairment of accounts receivables	(592)	(334)	(765)
Accounts receivables – net	3,919	3,438	6,025
Receivables from sales representatives	8,248	5,607	5,574
	$12,167	$9,045	$11,599

The fair values of accounts receivables and receivables from sales representatives are as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Accounts receivables	$3,919	$3,438	$6,025
Receivables from sales representatives	8,248	5,607	5,574

	$12,167	$9,045	$11,599

As of January 1, 2009, December 31, 2009 and December 31, 2010, receivables from sales representatives of $5,574, $5,607 and $8,248, respectively, were neither past due nor impaired while accounts receivables of $6,025, $3,438 and $3,919, respectively, were past due but not impaired. These relate to a number of independent sales representatives

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

and customers for whom there is no recent history of default. The aging analysis of these accounts receivables is as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Up to 3 months	$3,037	$2,991	$4,780
3 to 6 months	576	293	932
Over 6 months	306	154	313
	$3,919	$3,438	$6,025

As of January 1, 2009, December 31, 2009 and December 31, 2010, trade receivables of $765, $334 and $592, respectively, were impaired and provided for. The individually impaired receivables mainly relate to certain customers for online and other media services, which are in unexpectedly difficult economic situations. The aging of these accounts receivables is as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Up to 3 months	$129	$112	$224
3 to 6 months	157	68	228
Over 6 months	306	154	313
	$592	$334	$765

Movements on the Group provision for impairment of accounts receivables are as follows:

	2010	2009
At January 1	$334	$765
Provision for receivable impairment	502	146
Receivables written off during the year as uncollectible	(244)	(577)
At December 31	$592	$334

The creation and release of provision for impaired receivables have been included in sales costs in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

19. Cash, bank balances and financial assets, available-for-sale

	December 31, 2010	December 31, 2009	January 1, 2009
Cash at bank and on hand	$26,653	$19,864	$23,669
U.S. Treasury securities with original maturities of less than three months	59,327	70,077	37,777
Term deposits and short-term highly liquid investments with original maturities of three months or less	15,318	1,612	8,779
Cash and cash equivalents	101,298	91,553	70,225
Term deposits with original maturities of over three months	1,411	60,357	-
U.S. Treasury securities with original maturities of over three months	-	-	55,258
Other securities	-	6,423	5,528
Total	$102,709	$158,333	$131,011

Included in cash and cash equivalents at December 31, 2009, is an amount of $756 (January 1, 2009 and December 31, 2010: nil) which has been reserved for payment of certain liabilities in connection with the acquisition of eMedia South China Limited (note 28).

20. Share capital and treasury shares

	Number of common shares		Amount		
	Issued share capital	Treasury shares	Issued share capital	Treasury shares	Share premium
At January 1, 2009	51,376,335	(6,875,000)	$514	$(50,000)	$39,985
Issuance of common shares under Equity Compensation Plans	51,307	-	-	-	-
At December 31, 2009	51,427,642	(6,875,000)	$514	$(50,000)	$39,985
Issuance of common shares under Equity Compensation Plans	141,898	-	2	-	-
Common shares	-	(11,121,000)	-	(100,089)	-
At December 31, 2010	51,569,540	(17,996,000)	$516	$(150,089)	$39,985

The authorised share capital of the Company as at January 1, 2009, December 31, 2009 and December 31, 2010 is 75,000,000 common shares of $0.01 par value. As at January 1, 2009, December 31, 2009 and December 31, 2010, the Company has 44,501,335, 44,552,642 and 33,573,540 common shares outstanding, respectively. The share premium of $39,985 as at January 1, 2009, December 31, 2009 and December 31, 2010 is recognised under capital reserves in note 23.

On February 4, 2008, the Board of Directors of the Company authorized a program to buyback up to $50,000 worth of common shares. The Company 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 the Company to buyback any

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 January 1, 2009, December 31, 2009 and December 31, 2010, the Company has not bought back any of its shares under this program.

As approved by the Board of Directors of the Company at their meeting held on 10 and 11 November 2008, the Company repurchased 6,875,000 issued and outstanding common shares at a total purchase price of $50,000 or $8.00 per share pursuant to a tender offer available for all shareholders to participate in 2008. The Company is holding the repurchased shares as treasury shares.

On 24 June 2010, the Board of Directors of the Company authorized a program to repurchase 11,121,000 of its common shares by tender offer at purchase price of $9.00 per share. Accordingly, in August 2010, the Company completed the repurchase and paid a total purchase consideration of $100,089. The Company is holding the repurchased shares as treasury shares.

On February 12, 2009, the Company announced a one for ten bonus share issue on the Company's outstanding common shares. Shareholder of record on February 27, 2009 received one additional common share for every ten common shares held, of face value of $0.01 each. The bonus share have been distributed on or about March 31, 2009. The Company has accounted for the bonus share issue as a stock split and retrospectively reclassified $47 from other reserves to common share capital as of January 1, 2009. All common shares and earnings per share amounts in the consolidated financial statements and related notes have been retroactively adjusted to reflect the one for ten bonus share issue for all periods presented.

21. Non-cash compensation

On December 30, 1999, the Company established The Global Sources Employee Equity Compensation Trust (the "Trust") for the purpose of administering monies and other assets to be contributed by the Company to the Trust for the establishment of equity compensation and other benefit plans, including the Equity Compensation Plans Numbers I to VII described below. The Trust is administered by Appleby Services (Bermuda) Ltd (previously known as "Harrington Trust Limited" and then as "Appleby Trust (Bermuda) Ltd.") (the "Trustee"). The Trustee in the exercise of its power under the Declaration of Trust may be directed by the Equity Compensation Plan committee, including the voting of securities held in the Trust. The Board of Directors of the Company will select the members of the Equity Compensation Plan committee.

On February 4, 2000, in conjunction with the establishment of the Trust and the Share Exchange, the former parent company assigned 4,034,552 common shares of the Company at a historical cost of less than $1, representing a 10% equity interest in the Company, for the establishment of share option plans and/or share award plans, known as ECP I, ECP II and ECP III. Subsequently, share option plans and/or share award plans, known as ECP IV, ECP V, ECP VI and ECP VII were established.

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 the Trustee as trustee. The purpose of the 2007 Trust is to administer shares contributed by the Company 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"). In exercising its powers under the Trust, the Trustee may be directed by a plan committee to be constituted and appointed by the Company. The Plan Committee ("ECP 2007 Plan Committee") was constituted and appointed by the Board of Directors on February 15, 2007.

-97-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Equity Compensation Plan committee approved and made several share awards / options under the plans ECP I, ECP II, ECP III and ECP IV. All the share awards / options under these plans have fully vested. The non-cash compensation expenses associated with these awards have been recognized over the vesting terms of the awards from their respective award dates.

Eligible employees, directors and non-employees (consultants, advisers and the employees of third party independent contractors) under ECP V are awarded grants of shares, the numbers of which are determined by the Equity Compensation Plan committee.

Entitlement of the employees and directors to these common shares is subject to employment and vesting terms. Entitlement of non-employees to these common shares is subject to continued services provided by the consultants and vesting terms.

The Equity Compensation Plan committee approved the awards of common shares under ECP V on January 23, 2001. The Equity Compensation Plan committee subsequently approved additional awards of common shares under ECP V on various dates.

The non-cash compensation expenses associated with the above awards are recognized over the five or six year vesting term as applicable from the respective award dates.

Eligible employees and non-employees under ECP VI are awarded after they resigned or retired from their respective employment or consultancy service, one-time grants of Global Sources Ltd. common shares, the numbers of which are determined by the Equity Compensation Plan committee.

Entitlement of the grantees to these common shares is subject to non-compete and vesting terms. There is no other vesting condition other than the non-compete terms. The Equity Compensation Plan committee approved ECP VI on March 13, 2001 and made awards of common shares under the plan on various dates subsequently.

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

During the year ended December 31, 2010 the Company recorded $13 (2009: $764) amortization of intangible assets associated with the awards under ECP VI.

Eligible employees, directors and non-employees under ECP VII are awarded grants of Global Sources Ltd. common shares, the numbers of which are determined by the Equity Compensation Plan committee periodically. Entitlement of the employees and directors to these common shares is subject to employment and vesting terms. Entitlement of non-employees to these common shares is subject to continued services provided by the non-employees and vesting terms.

The Equity Compensation Plan committee approved the awards of common shares under ECP VII on January 1, 2002 and made further awards on various dates subsequently. The non-cash compensation expenses associated with the above awards are recognized over the six years vesting term from the respective award dates.

The ECP 2007 Master Plan was approved by the Company's shareholders on May 8, 2006. The ECP 2007 Master Plan commenced with effect on January 1, 2007 and, unless terminated earlier by the Company's Board of Directors, will expire on December 31, 2012. The Company's employees, directors, consultants and the Company's independent contractors' employees are eligible to be awarded grants of the Company's common shares under the ECP 2007 Master Plan. The grantees and the number of shares to be awarded, and the vesting rules and other terms and conditions, are to be as determined by the Plan Committee, which is authorized under the ECP 2007 Master Plan to issue

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

On March 6, 2007, the Plan Committee approved and issued “The Global Sources Share Grant Award Plan” as a supplementary or subsidiary document to the ECP 2007 Master Plan. Under the plan, the Plan Committee is to determine who 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 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 Plan Committee, whichever is the earliest to occur. The Plan Committee approved awards of common shares under the plan during the years 2007 to 2010 to employees and non-employees (consultants and the employees of third party independent contractors). The non-cash compensation expenses associated with the awards are recognized over the six year vesting term of the award.

On March 6, 2007, the Plan Committee approved and issued “The Global Sources Retention Share Grant Plan” as a supplementary or subsidiary document to the ECP 2007 Master Plan. Persons eligible to receive grants under the plan are persons who have been the employees, directors or consultants for at least five years, who retire “in good standing” (as determined by the Plan Committee), and who would otherwise have their unvested shares (under any applicable equity compensation plans) forfeited upon retirement. The Plan Committee is to determine who amongst eligible persons will be granted awards of common shares. The number of common shares to be awarded to such grantees is calculated according to a formula defined in the plan, and will vest in equal installments over a period of five years after retirement, subject to certain non-compete terms and the grantees remaining “in good standing”. There is no other vesting condition other than the non-compete terms. The plan commenced with effect from 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 Plan Committee, whichever is the earliest to occur.

The Plan Committee approved awards of common shares under the plan during 2007 to 2010. The Company recognizes the intangible asset relating to the non-compete provisions of each of the above awards at the fair value of the respective award. The intangible asset is amortized over the non-compete period on a straight-line basis.

During the year ended December 31, 2010 the Company recorded amortization of intangible assets of $545 (2009: $373) associated with the awards under The Global Sources Retention Share Grant Plan.

On April 24, 2009, the Plan Committee approved and issued “The Global Sources Directors Share Grant Award Plan” as a supplementary or subsidiary document to the ECP 2007 Master Plan. Persons eligible to receive grants under the plan are directors of the Company. Under the plan, the Plan Committee is to determine who amongst the directors of the Company will be granted awards of shares and the number of shares to be awarded to them. Any shares awarded will not vest immediately, but only at the end of four years after such effective date as may be specified by the Plan Committee (or in accordance with such other vesting schedule as may be determined by the Plan Committee). The plan commenced with effect on April 24, 2009, and will terminate upon the expiration or termination of the ECP 2007

Master Plan, or upon the liquidation of the Company, or upon termination by the Plan Committee, whichever is the earliest to occur. The Plan Committee awarded 21,000 common shares (comprising 3,000 common shares each) and 21,000 common shares (comprising 3,000 common shares each) to the seven directors of the Company in June 2009 and January 2010, respectively.

-99-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The non-cash compensation expenses as of December 31, 2010, associated with the above awards under the plan are recognized over the four year vesting term of the award.

As of January 1, 2009, December 31, 2009 and December 31, 2010, there was $7,598, $5,752 and $4,386, respectively, of unrecognized non-cash compensation cost associated with the awards under the above ECP plans, excluding the awards under ECP VI and The Global Sources Retention Share Grant Plan, which are expected to be recognized over the next six years.

As of December 31, 2009 and December 31, 2010, there was $1,672 and $2,878 balance of intangible asset, respectively, associated with the awards under the ECP VI and The Global Sources Retention Share Grant Plan, which is expected to be amortized over the next five years.

The Company’s non-vested shares as of December 31, 2009 and 2010 and changes during the year ended December 31, 2009 and 2010 were as follows:

	ECP V Grant Plan		ECP VI Grant Plan		ECP VII Grant Plan		The Global Sources Share Grant Award Plan		The Global Sources Retention Share Grant Plan		The Global Sources Directors Share Grant Award Plan	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value	Number of shares	Weighte averag grant date fair value
Non-vested at January 1, 2009	11,196	$7.85	14,934	$6.68	1,157,101	$5.98	846,571	$12.31	50,982	$11.41	-	-
Granted	32,680	$4.14	-	-	-	-	407,740	$4.33	188,988	$7.44	21,000	$7.62
Vested	(15,439)	$4.67	(9,077)	$6.37	(391,831)	$4.59	(40,770)	$12.82	(10,487)	$11.50	-	-
Forfeited	(2,640)	$6.17	-	-	(102,030)	$6.68	(120,384)	$9.21	-	-	-	-
Non-vested at December 31, 2009	25,797	$5.22	5,857	$7.17	663,240	$6.69	1,093,157	$9.66	229,483	$8.14	21,000	$7.62
Non-vested at January 1, 2010	25,797	$5.22	5,857	$7.17	663,240	$6.69	1,093,157	$9.66	229,483	$8.14	21,000	$7.62
Granted	18,790	$7.93	2,500	$7.42	-	-	314,639	$6.96	221,782	$7.87	21,000	$6.63

Vested	(12,889)	$6.80	(5,857)	$7.17	(289,851)	$6.07	(94,993)	$12.45	(47,654)	$8.33	-	
Forfeited	(4,400)	$6.17	-	-	(32,956)	$7.40	(199,093)	$9.71	(11,963)	$7.18	-	
Non-vested at December 31, 2010	27,298	$6.18	2,500	$7.42	340,433	$7.15	1,113,710	$8.64	391,648	$7.99	42,000	$7.13

-100-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The total fair value of shares vested during the years ended December 31, 2009 and 2010 were as follows:

Year ended December 31,	ECP V Grant Plan	ECP VI Grant Plan	ECP VII Grant Plan	The Global Sources Share Grant Award Plan	The Global Sources Retention Share Grant Plan	The Global Sources Directors Share Grant Award Plan	Total
2009	$66	$47	$1,942	$205	$66	$-	$2,326
2010	$89	$38	$1,814	$597	$373	$-	$2,911

Non-cash compensation expenses associated with the employee and team member Equity Compensation Plans and Global Sources Directors Share Grant Award Plan included under various categories of operating expenses are approximately as follows: sales: $545 (2009: $691), community and content: $284 (2009: $228), general and administrative $1,089 (2009: $566), and information and technology: $269 (2009: $263).

22. Directors Purchase Plan

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

On May 8, 2003, the Company’s shareholders approved the amendments to the 2000 Non-Employee Directors Share Option Plan to allow both employee and non-employee Directors to participate prospectively in the plan. The plan was renamed as Directors Purchase Plan by the Board of Directors on August 14, 2003.

Directors purchasing the shares under the plan would pay 10% of the purchase price, which was the average closing price of the shares for the last five trading days of the previous calendar year, on or before 28th day of February of the relevant year, with the balance of 90% payable by the end of the four year period from that day and the shares would be issued thereafter. The resignation of a Director following his or her purchase of the shares and payment of the 10% initial instalment would not cause a forfeiture of the purchased shares, however, failure to pay the 90% balance of the purchase price before the end of the holding period would result in the 10% deposit being forfeited and all rights under the purchase plan and the issuance of shares would automatically lapse and expire and the shares would not be issued.

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

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

By a written resolution of the Board of Directors dated April 24, 2009, the Company's Directors confirmed that they had all agreed that no purchase rights under the Directors Purchase Plan (as of 5 November 2005) would be granted and/or exercisable in the calendar years 2009 and 2010.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

At the Company's annual general meeting held on June 24, 2009, the Company's shareholders approved the adoption of the "Directors Purchase Plan (updated effective as of January 1, 2009)", which updated the Directors Purchase Plan (as of 5 November 2005), so as to provide that if an eligible director passes away and at the time of his or her death has not paid the entire purchase price of previously exercised purchase rights, then the remaining balance of the purchase price must be paid by his or her estate within 6 months of his or her death; otherwise, the previously exercised purchase rights will automatically expire and lapse, no shares will be issued, and any deposits previously paid with respect to the exercised purchase rights will be refunded to the estate. In addition, the Directors Purchase Plan (updated effective as of January 1, 2009) also clarifies that any amendments or updates made to the plan may be made applicable retroactively with the approval or consent of affected purchase rights holders or eligible directors under the plan.

The Directors Purchase Plan (updated effective as of January 1, 2009) expired on August 4, 2010.

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

During the year ended December 31, 2009, the Company refunded $134 to a deceased director's estate as previously exercised purchase rights expired and lapsed.

23. Other reserves

	Accumulated other comprehensive income			
	Fair value reserve	Currency translation reserve	Capital reserve	Total
At January 1, 2009	$-	$-	$136,237	$136,237
Fair value gains (note 14)	895	-	-	895
Currency translation differences	-	72	-	72
Non-cash compensation	-	-	1,748	1,748
Refund of share subscription received in advance under director purchase plan	-	-	(134)	(134)
Capitalisation of intangible assets relating to non-compete clause in share awards to non-employees (note 13)	-	-	2,809	2,809
At December 31, 2009	$895	$72	$140,660	$141,627

-102-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

At January 1, 2010	$895	$72	$140,660	$141,627
Fair value gains (note 14)	328	-	-	328
Reclassification to income statement on disposal of available-for-sale financial asset	(1,223)	-	-	(1,223)
Currency translation differences	-	2,008	-	2,008
Non-cash compensation	-	-	2,187	2,187
Capitalisation of intangible assets relating to non-compete clause in share awards to non-employees, net (note 13)	-	-	1,766	1,766
Issuance of shares	-	-	(2)	(2)
At December 31, 2010	$-	$2,080	$144,611	$146,691

24. Deferred income and customer prepayments

	December 31, 2010	December 31, 2009	January 1, 2009
Non-current portion:			
Advertising	$4,034	-	-
Exhibitions	2,676	2,516	3,044
	$6,710	$2,516	$3,044
Current portion:			
Advertising	55,610	43,555	41,024
Exhibitions, subscription and others	35,007	29,429	30,149
	$90,617	$72,984	$71,173

25. Accrued liabilities

	December 31, 2010	December 31, 2009	January 1, 2009
Salaries, wages and commissions	$1,795	$1,936	$1,770
Retirement defined contribution accruals	847	784	791
Liabilities for incentive plan	1,459	1,429	1,370
Printing, paper and bulk mailing costs	354	365	526
Sales commissions and fees to third parties	3,964	3,160	4,780
Business taxes	3,381	2,266	-

Others	2,469	1,645	2,342
	$14,269	$11,585	$11,579

-103-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

26. Contingencies

From time to time the Company is involved in litigation in the normal course of business. While the results of such litigation and claims cannot be predicted with certainty, the Company believes that the probability is remote that the outcome of the outstanding litigation and claims will have a material adverse effect on the Company's consolidated financial position and results of operations.

27. Commitments

(a) Capital commitment

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2010	2009
Purchase of property and equipment	$118	$311
Total	$118	$311

(b) Operating lease commitments – group company as lessee

The Company leases office facilities and exhibition venues under cancelable and non-cancelable operating leases generally with an option to renew upon expiry of the lease term.

The future aggregate minimum lease rental payments under non-cancelable operating leases for office premises are as follows:

	2010	2009
No later than 1 year	$123	$786
Later than 1 year and no later than 5 years	27	21
Later than 5 years	-	-
Total	$150	$807

During the first quarter of 2007, the Group entered into a number of venue license agreements for exhibition events amounting to $44,396 in payments over five and a half years. The agreements are cancelable under force majeure conditions, or upon notice and payment of cancellation charges to the other party. In May 2010, the Group entered into a number of venue license agreements for our exhibition events amounting to a gross value of approximately $16,657 in payments over five years. Again, in December 2010, the Group entered into a number of venue license agreements for our exhibition events amounting to a gross value of approximately $3,333 in payments over four years. The agreements are cancelable under force majeure or other specified conditions, or upon notice and payment of cancellation charges to the other party. The amounts paid will be expensed when the related events are held. As of

December 31, 2010, the Group have paid approximately $26,556 under these agreements.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In addition, in 2009 and 2010, the Group entered into several agreements for the venue rental for future exhibition events to be held in 2011 to 2014 amounting to $4,145. The amounts paid under these agreements as of December 31, 2010 were $1,121.

28. Business combinations

Acquisition of eMedia South China Limited

In December 2009, eMedia Asia Ltd. (a subsidiary of the Group) acquired the entire issued share capital of eMedia South China Limited (previously known as “UBM South China Limited”), a company incorporated in the Hong Kong Special Administrative Region, which holds a 70% equity interest in Shenzhen Herong GS Exhibitions Co., Ltd. (previously known as Shenzhen Herong UBM Exhibition Co., Ltd.).

Shenzhen Herong GS Exhibition Co., Ltd incorporated in the People’s Republic of China (PRC) operates a trade show in the PRC known as the “China International Optoelectronic Expo”. With this acquisition, eMedia Asia Ltd.’s portfolio of media products for the Chinese electronic engineering community further complements the Group’s own multi-channel media network for professionals in China’s electronics industry.

The Company accounted for this acquisition as a business combination. As the Company gained control over eMedia South China Limited on December 24, 2009, the results of operations of eMedia South China Limited were consolidated from this date onwards.

The Company has allocated the purchase price to the acquired net assets based on fair values as follows:

Consideration	
Cash	$5,836
Liabilities assumed	756
	$6,592
Effect on cash flows of the Group	
Cash paid (as above)	$5,836
Less: Cash and cash equivalents in subsidiary acquired	(3,020)
Cash outflow on acquisition	$2,816

-105-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,020
Equipment, office furniture and motor vehicles (note 12)	42
Accounts receivables	34
Trademarks (note 13)	5,464
Contractual backlog and others (note 13)	339
Goodwill (note 13)	2,497
Total assets	$11,396
Accounts payables	(638)
Current tax liabilities	(42)
Deferred tax liabilities	(1,451)
Total liabilities	$(2,131)
Total identifiable net assets	$9,265
Less: fair value of non-controlling interest	(2,673)
Total	$6,592
Acquisition related costs included in general and administrative expenses in the consolidated statement of income for the year ended December 31, 2009	(309)

In accordance with IFRS 3R, the fair value of the identifiable assets, liabilities and contingent liabilities was determined provisionally for the acquisition of eMedia South China Limited as of December 31, 2009. Given the size and complexity of the acquisition, additional information was obtained as part of the process of finalizing the purchase price allocation during the 12-month period allowed under IFRS 3R. This resulted in certain aspects of the purchase price allocation being revisited to reflect finalization of the allocation process. The impact of these revisions on the acquired net assets is as follows:

	As reported December 31, 2009	Adjustments 2009	Revised December 31, 2009
Cash and cash equivalents	$3,020	-	$3,020
Equipment office furniture and motor vehicles	42	-	42
Trade and other receivables	260	(226)	34
Intangible assets	7,098	(1,295)	5,803
Goodwill	-	2,497	2,497
Trade and other payables	(638)	-	(638)
Current tax liabilities	(42)	-	(42)
Deferred tax liabilities	-	(1,451)	(1,451)
Fair value of non-controlling interest	(2,922)	249	(2,673)

$6,818	$ (226)	$6,592

-106-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Represented by:			
Cash paid	$5,836	-	$5,836
Liabilities assumed	982	(226)	756
	$6,818	$(226)	$6,592

All the above fair value adjustments have been recorded with effect from the date of acquisition by restating the 2009 reported balance sheet. There is no impact on the income statement for the year ended December 31, 2009 due to the above fair value adjustments.

The liabilities assumed of $756 relates to liabilities incurred by the Group to the former owner of eMedia South China Limited. The fair value of trade and other receivables is $34 of which none is expected to be uncollectible.

The fair value of the non-controlling interest in eMedia South China Limited, an unlisted company, was estimated by applying the income approach. The fair value estimates are based on:

- an assumed discount rate of 13% per annum
- long-term sustainable growth rate of 2%
- an assumed 15% discount to the equity value of the non-controlling interest due to lack of control and lack of marketability that market participants would consider.

The acquired subsidiary contributed revenue of $nil and net income of $nil to the Company for the period from December 24, 2009 to December 31, 2009. If the acquisition had occurred on January 1, 2009, the Group's revenue and net income for the year ended December 31, 2009 would have been $176,248 and $15,866, respectively.

29. Related party transactions

The following transactions were carried out with related parties:

(a) Purchases of services

	2010	2009
Rental and building maintenance services received from subsidiaries of a major shareholder of the Company	$1,378	$1,339
Reimbursement of membership fees from a subsidiary of a major shareholder of the Company for use of club membership	30	30
Purchases of investment consultancy services from subsidiaries of a major shareholder of the Company	50	50
Total	$1,458	$1,419

-107-

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2010	2009
Wages, salaries, bonus and fees	$3,203	$3,142
Retirement contribution plans	62	47
Non-cash compensation expenses	1,300	971
Other benefits	28	31
Total	$4,593	$4,191

30. Event after the reporting periods

On April 2, 2011, the Company's subsidiary, eMedia Asia Limited in which the Company owns 60.1% equity interest, acquired 100% interest in Canon Communications Asia Pte Ltd and Beijing Reed Advertising Services Co., Ltd., which together own EDN-China, EDN-Asia and certain other associated publication titles and websites from Canon Communications LLC, a subsidiary of United Business Media Limited, for a cash consideration of approximately $4,000. Acquisition related costs of approximately $250 have been incurred and will be recorded under general and administrative expenses in the consolidated income statement for the year ending December 31, 2011.

With the acquisition of EDN-China and EDN-Asia, eMedia Asia Limited further expands the reach of its multi-channel media network that serves to advance the design capability and competitiveness of electronics manufacturers in Asia and throughout China. Details of the fair value of assets acquired and liabilities assumed, the amount of goodwill to be recorded and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still in progress at the time these financial statements have been authorised for issue. The acquired entities will be consolidated with effect from the date of acquisition.

31. Recent accounting pronouncements

At the date of presentation of these financial statements, the following new standards, amendments and interpretations have been issued, and are relevant for the Group's accounting periods beginning on or after January 1, 2011 and which the Group did not early adopt :

- IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments - recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption.

The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss. In the current reporting period, the Group recognized $328 of such gains in other comprehensive income.

GLOBAL SOURCES LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- Revised IAS 24 (revised), “Related party disclosures”, issued in November 2009. It supersedes IAS 24, “Related party disclosures”, issued in 2003. IAS 24 (Revised) is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from January 1, 2011. The adoption of this revised standard is not expected to have any impact on the Company’s consolidated financial statements.

The following new standards, amendments and interpretations have been published and are mandatory for the Group’s accounting periods beginning on or after January 1, 2011 or later periods but are not relevant for the Group’s operations:

- IFRIC 14, ‘Prepayments of a minimum funding requirement’
- Amendments to IFRS 7, ‘Disclosures – Transfer of financial assets’
- Improvements to IFRS 2010 (annual improvements project)

ITEM 9. THE OFFER AND LISTING

Price history of stock

The following table sets forth the high and low per share closing prices for our common shares for the periods indicated, as adjusted for the one for ten bonus share issues announced on February 16, 2004, March 1, 2005, March 6, 2006, March 5, 2007, December 20, 2007 and on February 12, 2009.

Period		High		Low
Year 2006	$	13.53	$	6.38
Year 2007	$	32.14	$	11.49
Year 2008	$	26.68	$	4.18
Year 2009	$	7.97	$	3.30
Year 2010	$	11.04	$	6.00
First Quarter 2009	$	5.45	$	3.30
Second Quarter 2009	$	7.97	$	3.67
Third Quarter 2009	$	7.89	$	6.32
Fourth Quarter 2009	$	7.07	$	6.34
First Quarter 2010	$	7.16	$	6.00
Second Quarter 2010	$	8.20	$	6.20
Third Quarter 2010	$	8.77	$	6.49
Fourth Quarter 2010	$	11.04	$	7.26
First Quarter 2011	$	11.91	$	9.02
December 2010	$	11.04	$	8.94
January 2011	$	10.29	$	9.02
February 2011	$	11.91	$	9.43
March 2011	$	11.73	$	9.59
April 2011	$	12.78	$	10.97
May 2011	$	12.48	$	10.07

Markets

Our shares are listed and traded under the symbol “GSOL” on Nasdaq.

ITEM 10. ADDITIONAL INFORMATION

Memorandum and Bye-Laws

The following statements are brief descriptions of our common shares, and the more important rights and privileges of our shareholders conferred by the laws of Bermuda and our Memorandum of Association and bye-laws, and is based upon the advice of Appleby, our Bermuda counsel, but are qualified in its entirety by reference to our Memorandum of Association and bye-laws and the laws of Bermuda.

Description of shareholder rights attaching to our common shares

The Company is registered with the Bermuda Registrar of Companies with registration number 27310. It has the usual objects and powers of a Bermuda exempt company, found in its Memorandum of Association, empowering it to, among other things, deal in goods of all kinds, and to acquire, hold and dispose of all forms of real property outside

Bermuda, and personal property worldwide, including intellectual property. Our authorized share capital consists of 75,000,000 common shares, par value $0.01 per share. A bonus share distribution of

-110-

one share for every ten shares was issued to all of our shareholders of record on February 27, 2009 and distributed on or about March 31, 2009. As of April 30, 2011, we had a total of 51,700,553 common shares issued, comprising 33,704,553 common shares outstanding and 17,996,000 common shares held as treasury shares.

- Holders of common shares have no preemptive, redemption, conversion or sinking fund rights.
- Holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares and do not have any cumulative voting rights.
- In the event of our liquidation, dissolution or winding-up, the holders of common shares are entitled to share ratably in our assets, if any, remaining after the payment of all our debts and liabilities.
- Our outstanding common shares are fully paid and non-assessable. Non-assessable as that term is understood under Bermuda law means in relation to fully-paid shares of a company and subject to any contrary provision in any agreement in writing between such company and the holder of shares, that no shareholder shall be obliged to contribute further amounts to the capital of the company, either in order to complete payment for their shares, to satisfy claims of creditors of the company, or otherwise; and no shareholder shall be bound by an alteration of the memorandum of association or bye-laws of the Company after the date on which he became a shareholder, if and so far as the alteration requires him to take, or subscribe for additional shares, or in any way increases his liability to contribute to the share capital of, or otherwise to pay money to, the company.
- Additional authorized but unissued common shares may be issued by the board of directors without the approval of the shareholders.

The holders of common shares will receive dividends, if any, as may be declared by the board of directors out of funds legally available for purposes. We may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- we are, or after the payment would be, unable to pay our liabilities as they become due; or
- the realizable value of our assets after such payment or distribution would be less than the aggregate amount of our liabilities and our issued share capital and share premium accounts.

The following is a summary of provisions of Bermuda law and our organizational documents, including our bye-laws. We refer you to our memorandum of association and bye-laws, copies of which have been filed with the SEC. You are urged to read these documents for a complete understanding of the terms of the memorandum of association and bye-laws.

Share Capital

Our authorized capital consists of one class of common shares. Under our bye-laws, our board of directors has the power to issue any authorized and unissued shares on such terms and conditions as it may determine. Any shares or class of shares may be issued with such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as we may from time to time by resolution of the shareholders prescribe.

Voting Rights

Save where a greater majority is required by the Companies Act 1981 of Bermuda (as amended) (the "Companies Act") or our bye-laws, under Bermuda law and our bye-laws, questions brought before a general meeting are decided by a simple majority vote of shareholders present or represented by proxy. Subject to any rights or restrictions attached to any class of

-111-

shares, each shareholder is entitled to one vote for each share held. Matters will be decided by way of votes cast on a show of hands, unless a poll is demanded.

If a poll is demanded, each shareholder who is entitled to vote and who is present in person or by proxy has one vote for each common share entitled to vote on such question. A poll may only be demanded under our bye-laws by:

- the chairman of the meeting;
- at least three shareholders present in person or represented by proxy;
- any shareholder or shareholders present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all shareholders having the right to vote at such meeting; or
- a shareholder or shareholders present in person or represented by proxy holding shares conferring the right to vote at such meeting, being common shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such common shares conferring such right.

No shareholder shall, unless the board of directors otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by that shareholder in respect of all shares held by such shareholder have been paid.

Dividend Rights

Under Bermuda law, a company may declare and pay dividends unless there are reasonable grounds for believing that the company is, or after the payment would be, unable to pay its liabilities as they become due or that the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Under our bye-laws, each share is entitled to a dividend if, as and when dividends are declared by the board of directors. The board of directors may determine that any dividend may be paid in cash or will be satisfied in paying up in full in our common shares to be issued to the shareholders credited as fully paid or partly paid or partly in one way and partly the other. The board of directors may also pay any fixed cash dividend which is payable on any of our common shares half-yearly or on other dates, whenever our position, in the opinion of the board of directors, justifies such payment.

Dividends, if any, on our common shares will be paid at the discretion of our board of directors if it appears to the board of directors to be justified by the position of the Company and will depend on our future operations and earnings, capital requirements, surplus and general financial conditions, as our board of directors may deem relevant.

We have not paid any cash dividends on our common shares since October 1999. Previously, we paid cash dividends as a private company as a means to distribute earnings to shareholders. Beginning in October 1999, we have focused on the implementation of our growth plans, and we have retained earnings in furtherance of such plans. Our board of directors reviews its options for the use of cash on a regular basis, including whether or not to pay any cash dividends.

Purchase by a Company of its Own Common Shares

We may purchase our own common shares out of the capital paid up on the common shares in question or out of funds that would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of common shares made for the purposes of the purchase. We may not purchase our shares if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due, or as a result, our issued share capital would be reduced below the minimum capital specified in our memorandum of association.

-112-

However, to the extent that any premium is payable on the purchase, the premium must be provided out of the funds of the company that would otherwise be available for dividend or distribution or out of a company's share premium account. Any common shares purchased by a company are treated as cancelled and the amount of the company's issued capital is diminished by the nominal value of the shares accordingly but shall not be taken as reducing the amount of the company's authorized share capital. However, pursuant to recent changes to the Companies Act, effective December 29, 2006, a company may purchase its own shares, to be held as treasury shares, if authorized to do so by its memorandum of association or bye-laws. A proposed resolution for the amendment of our bye-laws, to authorize us to purchase our own shares, to be held as treasury shares, was put forth to our shareholders for approval at our Annual General Meeting, held on June 18, 2007 (Hong Kong time). The resolution was approved by our shareholders, so we are now able to acquire our own shares and hold them as treasury shares, subject always of course to the provisions of the Companies Act, to our bye-laws, to the securities laws of the United States and to the rules of Nasdaq. On February 4, 2008, we announced via a press release that our board of directors had authorized a program to repurchase up to $50 million of our common shares in the open market or through private transactions, from time to time, as business conditions warrant, but on the basis that we are not obligated to repurchase any specific number of shares and that the program may be suspended or terminated at any time at our management's discretion. The timing and amount of the repurchase of shares (if any) will be determined by our management, based on its evaluation of market conditions and other factors. As of April 30, 2011, no repurchases of our common shares have been made under this program.

On November 21, 2008, we commenced a tender offer for the purchase of up to 6.25 million of our common shares, or approximately 13.4% of our total common shares then outstanding, at a total purchase price of up to $50.0 million or $8.00 per share. The tender offer expired on December 19, 2008. Our common shares that were properly tendered and not properly withdrawn were greater than the number of shares that we offered to purchase. Consequently, we accepted for purchase on a pro rata basis 6.25 million of the shares properly tendered and not properly withdrawn by shareholders. We are holding the repurchased shares as treasury shares, which are disclosed as such on our balance sheet as of December 31, 2010.

On June 30, 2010, we commenced a tender offer for the purchase of up to 11,121,000 of our common shares, or approximately 24.9% of our total outstanding common shares as of April 30, 2010, at a total purchase price of up to $100,089,000 or $9.00 per share. The tender offer expired on July 28, 2010. Our common shares that were properly tendered and not properly withdrawn were greater than the number of shares that we offered to purchase. Consequently, we accepted for purchase on a pro rata basis 11,107,023 and on an "odd lot" basis 13,977 of the shares properly tendered and not properly withdrawn by shareholders. We are holding the repurchased shares as treasury shares, which are disclosed as such on our balance sheet as of December 31, 2010.

Preemptive Rights

Our bye-laws do not provide the holders of our common shares with preemptive rights in relation to any issues of common shares held by us or any transfer of our shares.

Variation of Rights

We may issue more than one class of shares and more than one series of shares in each class. If we have more than one class of shares, the rights attached to any class of shares may be altered or abrogated either:

- with the consent in writing of the holders of not less than seventy-five percent of the issued common shares of that class; or
-

with the sanction of a resolution passed at a separate general meeting of the holders of such common shares, voting in proxy or present, at which a quorum is present.

Our bye-laws provide that a quorum for such a meeting shall be two persons present in person or by proxy representing a majority of the shares of the relevant class. The bye-laws specify that the creation or issue of shares ranking on parity with existing shares will not, subject to any statement to the contrary in the terms of issue of those shares or rights attached to those shares, vary the special rights attached to existing shares.

Change of Control

Our bye-laws have two provisions that could delay a change of control. The first is the classified board, which means that only a portion of the directors come up for election every year, thus delaying a change in the composition of the Board. The second is the "Business Combinations" bye-law (bye-laws 155-163), which requires the approval of sixty-six and two-thirds percent (66 %) of shareholders voting at a general meeting, over and above any other approvals required by our bye-laws to permit certain mergers, amalgamations or similar transaction to go forward.

Transfer of Common Shares

Subject to the Companies Act and the "Transfer Restrictions" section below, a shareholder may transfer title to all or any of his shares by completing an instrument of transfer in the usual common form or in such other form as the board of directors may approve.

Transfer Restrictions

The board of directors may in its absolute discretion and without assigning any reason refuse to register the transfer of any share that is not fully paid.

The board of directors may refuse to register an instrument of transfer of a share unless it:

- is duly stamped, if required by law, and lodged with us;
- is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as the board of directors shall reasonably require;
- has obtained, where applicable, permission of the Bermuda Monetary Authority; and
- is in respect of only one class of shares.

A "blanket" authorization has been obtained from the Bermuda Monetary Authority for all transfers of our common shares between persons who are not resident in Bermuda for exchange control purposes, provided our common shares remain listed on an "appointed stock exchange" (which includes listing on Nasdaq).

Transmission of Shares

In the event of the death of a shareholder, the survivor or survivors, where the deceased shareholder was a joint holder, or the legal personal representative of such shareholder, including executors and administrators, shall be the only persons recognized by us as having any title to the shareholder shares.

Disclosure of Interests

Our bye-laws provide that a director who has at least a five percent interest, directly or indirectly, in an entity that is interested in a contract or proposed contract or arrangement with us, shall declare the nature of such interest at the first opportunity at a meeting of the board of directors, or by writing to the board of directors. If the director has complied with the relevant sections of the Companies Act and our bye-laws with regard to the disclosure of his interest, the director may vote at a meeting of the board of directors or a committee thereof on a contract, transaction or arrangement in which that director is interested and he will be taken into account in ascertaining whether a quorum is present.

Under Bermuda law, the Company may not make loans to its directors unless approved by a majority of the shareholders holding 90% of the voting rights.

Rights in Liquidation

Under Bermuda law, in the event of liquidation, dissolution or winding-up of a company, after satisfaction in full of all claims of creditors and subject to the preferential rights accorded to any series of preferred stock, the proceeds of such liquidation, dissolution or winding-up are distributed among the holders of shares in accordance with a company's bye-laws.

Under our bye-laws, if we are wound up, the liquidator may, with the sanction of a resolution from us and any sanction required by the Companies Act, divide amongst the shareholders in specie or kind the whole or part of our assets, whether they shall consist of property of the same kind or not and may for such purposes set such values as he deems fair upon any property to be divided as set out above and may determine how such division shall be carried out as between the shareholders.

Meetings of Shareholders

Under Bermuda law, a company is required to convene at least one general shareholders' meeting as an Annual General Meeting per calendar year. The directors of a company, notwithstanding anything in its bye-laws, shall, on the requisition of the shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the company carrying the right of vote, proceed duly to convene a special general meeting.

Under the Companies Act, the board of directors may convene a special general meeting whenever in their judgment such a meeting is necessary. Unless the bye-laws of a company specify longer period otherwise, Bermuda law requires that shareholders be given at least five days' notice of a meeting of the company. Our bye-laws extend this period to provide that at least 21 days' written notice of a general meeting must be given to those shareholders entitled to receive such notice. The accidental omission to give notice to or non-receipt of a notice of a meeting by any person does not invalidate the proceedings of a meeting.

Under Bermuda law the number of shareholders constituting a quorum at any general meeting of shareholders may not be less than two individuals. Our bye-laws add to this quorum requirement to provide that no business can be transacted at a general meeting unless a quorum of at least two shareholders representing a majority of the issued shares of the company are present in person or by proxy and entitled to vote. A shareholder present at a general meeting or a meeting of a class of shareholders in person or by proxy shall be deemed to have received appropriate notice of the meeting.

Under our bye-laws, notice to any shareholders may be delivered either personally, by electronic means or by sending it through the post, by airmail where applicable, in a pre-paid letter addressed to the shareholder at his address as appearing in the share register or by delivering it to, or leaving it at such registered address or, in the case of delivery by electronic means, by delivering it to the shareholder at such address as may be provided to the company by the shareholder for such purpose. A notice of a general meeting is deemed to be duly given to the shareholder if it is sent to him by cable, telex, telecopier or electronic means. Any such notice shall be deemed to have been served twenty-four hours after its dispatch.

Access to Books and Records and Dissemination of Information

Under Bermuda law, members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies. These documents include a company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the memorandum of association and address of registered office and resident representative.

Our shareholders and directors have the additional right to inspect our bye-laws, our minute books and our audited financial statements, which, unless agreed by all shareholders and directors, must be presented at an annual general meeting. For the avoidance of doubt, with respect to the aforesaid inspection of our minute books, our shareholders only have the right under our bye-laws to inspect minutes of shareholder meetings.

Our bye-laws provide that our register of shareholders is required to be open for inspection during normal business hours by shareholders without charge and to members of the general public on the payment of a fee. A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish one or more branch register outside of Bermuda. We have established a branch register with our transfer agent, Computershare Trust Company, N.A., 250 Royall Street, Canton, MA 02021, U.S.A.

Under Bermuda law, a company is required to keep at its registered office a register of its directors and officers that is open for inspection for not less than two hours in each day by members of the public without charge. Our bye-laws extend this obligation to provide that the register of directors and officers be available for inspection by the public during normal business hours. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Election or Removal of Directors

Our bye-laws provide that the number of directors will be such number not less than two, as our shareholders by resolution may from time to time determine. A director of a Bermuda company will serve until his successor is appointed or his prior removal in the manner provided by the Companies Act or the bye-laws of a Bermuda company. Our bye-laws provide that at each annual general meeting one-third of the directors will retire from office on a rotational basis based on length of time served. A director is not required to hold shares in a company to qualify to join the board, and once appointed may sit on the board regardless of age, unless the bye-laws provide otherwise. Our bye-laws do not require qualifying shares to join the board and do not set age limits for directors who serve on the board. All directors must provide written acceptance of their appointment within thirty days of their appointment.

The board has the power at any time and from time to time to appoint any individual to be a director so as to fill a casual vacancy. As set forth in our bye-laws, a casual director so appointed shall hold office only until the next following annual general meeting, and if not reappointed at such annual general meeting, shall vacate office. The board may approve the appointment of alternate directors.

We may, in a special general meeting called for this purpose, remove a director, provided notice of such meeting is served upon the director concerned not less than fourteen days before the meeting and he shall be entitled to be heard at that meeting.

The office of a director will be vacated in the event of any of the following:

- if he resigns his office by notice in writing to be delivered to our registered office or tendered at a meeting of the board of directors;
- if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health, and our board of directors resolves that his office is vacated;
- if he becomes bankrupt under the law of any country or compounds with his creditors;
- if he is prohibited by law from being a director;
- if he ceases to be a director by virtue of the Companies Act or our bye-laws, or is removed from office pursuant to our bye-laws;
- if he (or his alternate director, if any) is absent from more than three consecutive board of directors' meetings without the permission of the board of directors and the board of directors resolves that his office be vacated;

or

- if he is requested to resign in writing by not less than three quarters of the other directors.

-116-

Amendment of Memorandum of Association and Bye-Laws

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of the shareholders of which due notice has been given. An amendment to a memorandum of association does not require the consent of the Minister of Finance save for specific circumstances, for example, the adopting of any objects which constitute restricted business activities under the Companies Act.

Under Bermuda law, the holders of an aggregate of no less than 20% in par value of a company's issued share capital or any class of issued share capital have the right to apply to the Bermuda Court for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment that alters or reduces a company's share capital as provided in the Companies Act. Where an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Court. An application for the annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of the person entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by persons voting in favor of the amendment.

Our bye-laws provide that they may be amended in the manner provided for in the Companies Act. The Companies Act provides that the directors may amend the bye-laws, provided that any such amendment shall be operative only to the extent approved by the shareholders.

Transactions with Interested Shareholders

Our bye-laws prohibit us from engaging in a business combination with any interested shareholder unless the business combination is approved by 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), or by a simple majority if the business combination is approved by a majority of continuing directors or if certain prescribed conditions are met assuring that we will receive fair market value in exchange for such business combination. In this context, a "business combination" includes mergers, asset sales and other material transactions resulting in a benefit to the interested shareholder or the adoption of a plan for our liquidation or dissolution; a "continuing director" is a member of our board of directors that is not an affiliate or associate of an interested shareholder and was a member of our board prior to such person becoming an interested shareholder; and an "interested shareholder" is any person (other than us or any of our subsidiaries, any employee benefit or other similar plan or any of our shareholders that received our shares in connection with our share exchange in 2000 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.

Appraisal Rights and Shareholder Suits

Amalgamation

The Companies Act provides that, subject to the terms of a company's bye-laws, the amalgamation of a Bermuda company with another company requires the amalgamation agreement to be approved by the board of directors and at a meeting of the shareholders by seventy-five percent of the members present and entitled to vote at that meeting in respect of which the quorum shall be two persons holding or representing at least one-third of the issued shares of the company or class, as the case may be.

Our bye-laws alter the majority vote required and provide that any resolution submitted for the consideration of shareholders at any general meeting to approve a proposed amalgamation with another company requires the approval of two-thirds of the votes of disinterested shareholders cast at such meeting.

Under Bermuda law, in the event of an amalgamation of a Bermuda company, a shareholder who did not vote in favor of the amalgamation and who is not satisfied that fair value has been offered for such shareholder's shares, may apply to a Bermuda court within one month of notice of the meeting of shareholders to appraise the fair value of those shares.

-117-

Class Actions and Derivative Actions

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Under Bermuda law, a shareholder may commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company, or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than those who actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to a Bermuda court, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders, by other shareholders or by the company.

Capitalization of Profits and Reserves

Under our bye-laws, the board of directors may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of our share premium account; and accordingly make that amount available for distribution among the shareholders who would be entitled to it if distributed by way of a dividend in the same proportions and on the footing that the same may be paid not in cash but be applied either in or towards:

- paying up amounts unpaid on any of our shares held by the shareholders; or

- payment up in full of our unissued shares, debentures, or other obligations to be allotted and credited as fully paid amongst such shareholders.

As a proviso to the foregoing, the share premium account may be applied only in paying up unissued shares to be issued to shareholders credited as fully paid, and provided, further, that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.

Registrar or Transfer Agent

Our transfer agent and branch registrar is Computershare Investor Services, LLC. In addition to a register held by Computershare Trust Company, N.A., a register of holders of the shares is maintained by Appleby in Bermuda located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

Personal Liability of Directors and Indemnity

The Companies Act requires every officer, including directors, of a company in exercising powers and discharging duties, to act honestly in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Companies Act further provides that any provision whether in the bye-laws of a company or in any contract between the company and any officer or any person employed by the company as auditor exempting such officer or person from, or indemnifying him against, any liability which by virtue of any rule of law would otherwise attach to him, in respect of any fraud or dishonesty of which he may be guilty in relation to the company, shall be void.

Every director, officer, resident representative and committee member shall be indemnified out of our funds against all liabilities, loss, damage or expense, including liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable, incurred or suffered by him as director, officer, resident representative or committee member; provided that the indemnity contained in the bye-laws will not extend to any matter which would render it void under the Companies Act as discussed above.

Our bye-laws also contain provisions for the advancement of funds to our directors, officers and other indemnified persons for expenses incurred in defending legal proceedings against them arising from the course of their duties. At our Annual General Meeting on June 11, 2008, our shareholders approved amendments to our bye-laws to provide more specifically that if any fraud or dishonesty on the part of the director, officer or other indemnified person concerned is proved, any such funds advanced to him or her must be repaid. These amendments conformed our bye-laws with changes to the Companies Act.

Material Contracts

We do not believe any of our outstanding contracts to be material to the operation of our company, taken as a whole.

Exchange Controls

Bermuda Law

We have been designated as a non-resident under the Exchange Control Act of 1972 by the Bermuda Monetary Authority. This designation will allow us to engage in transactions in currencies other than the Bermuda dollar.

The Registrar of Companies (Bermuda) has neither approved nor disapproved of the securities to which this document relates, nor passed on the accuracy or adequacy of this document and accepts no responsibility for the financial soundness of any proposals or the correctness of any statements made or opinions expressed with regard to such securities. Approvals or permissions received from the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such approvals or permissions, the Bermuda Monetary Authority will not be liable for our performance or default or for the correctness of any opinions or statements expressed in this document.

The transfer of common shares between persons regarded as resident in Bermuda for exchange control purposes and the issue of common shares to such persons may be effected without specific consent under the Exchange Control Act and regulations thereunder. Issues and transfers of common shares to any person regarded as non-resident in Bermuda for exchange control purposes require specific prior approval from the Bermuda Monetary Authority under the Exchange Control Act.

There are no limitations on the rights of persons regarded as non-resident of Bermuda for foreign exchange control purposes owning our shares. Because we have been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on our ability to transfer funds, other than funds denominated in Bermuda dollars, in and out of Bermuda or to pay dividends to non-Bermuda residents who are holders of our shares, other than in respect of local Bermuda currency.

Under Bermuda law, share certificates are only issued in the names of corporations, partnerships or individuals. In the case of an applicant acting in a special capacity, for example an executor or a trustee, certificates may, at the request of the applicant, record the capacity in which the applicant is acting.

Notwithstanding the recording of any such special capacity, we are not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

We will take no notice of any trust applicable to any of our common shares whether or not we had notice of such trust.

- As an “exempted company”, we are exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians. However, as an exempted company, subject to the Companies Act, we are generally not permitted to participate in most business transactions and activities of any kind or type conducted from within Bermuda, including those which involve land in Bermuda, except in furtherance of our business carried on outside Bermuda or under a license granted by the Minister of Finance of Bermuda.

Taxation

Bermuda Taxation

This summary is based on laws, regulations, treaty provisions and interpretations now in effect and available as of the date of this Form 20-F. The laws, regulations, treaty provisions and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our common shares. These laws, regulations and treaty provisions are also subject to various interpretations, and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

We have received from the Minister of Finance a written undertaking under the Exempted Undertakings Tax Protection Act, 1966 (as amended) of Bermuda, to the effect that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to us or to any of our operations or to our shares, debentures or other obligations until March 28, 2016. These assurances are subject to the proviso that they are not construed so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the imposition of property taxes on any company owning real property or leasehold interests in Bermuda.

Currently there is no Bermuda withholding tax on dividends that may be payable by us in respect to the holders of our common shares. No income, withholding or other taxes or stamp duty or other duties are imposed upon the issue, transfer or sale of the shares or on any payment thereunder. There is no reciprocal income tax treaty affecting us exists between Bermuda and the United States.

As an exempted company, we and our Bermuda subsidiaries are liable to pay in Bermuda an annual government fee calculated on a sliding scale basis by reference to our and our Bermuda subsidiaries' respective assessable capital, which is the aggregate of our and our Bermuda subsidiaries' respective authorized share capital and the premium on our and our Bermuda subsidiaries' respective issued shares. For each of the years 2010 and 2011, the applicable annual government fees were US$10,455.00 per year for us and US$1,995.00 per company per year for each of our two Bermuda subsidiaries. These amounts have already been paid.

Documents on Display

Where You May Find More Information

We are required to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended, applicable to a foreign private issuer. We will file annually a Form 20-F no later than six months after the close of our fiscal year, which is December 31. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with International Financial Reporting Standards ("IFRS"). We may, although we are not obligated to do so, furnish our shareholders with quarterly reports by mail with the assistance of a corporate services provider, which may include unaudited interim financial information. We may discontinue providing quarterly reports at any time without prior notice to our shareholders.

Our reports and other information, when so filed, may be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Copies of such material may be obtained from the Public Reference Section of the

Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

These reports and other information may also be inspected at the offices of the NASDAQ Global Market, 1735 K Street, N.W., Washington, D.C. 20006.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our activities expose us to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Risk management is carried out by a group of senior management personnel. This particular group identifies, evaluates and takes appropriate measures to alleviate financial risks in close co-operation with our operating units. The board of directors provide direction for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

We operate internationally and are exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Chinese Renminbi ("RMB"). Foreign currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. A majority of our contracts with customers are denominated and priced in foreign currencies. The conversion of these contract proceeds to USD could result in losses and reflects the foreign exchange risk assumed by us between contract signing and the conversion of cash into USD.

We have not engaged in foreign currency hedging activities. Historically a majority (ranging between 98% to 99%) of the revenue is denominated in USD or is received in the Hong Kong Dollar ("HKD"), which is currently pegged to the USD, the RMB which historically remained relatively stable but strengthened during the past two years against the USD and the New Taiwan Dollar ("TWD") which is relatively stable against USD.

We have certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of our foreign operations is managed primarily through identification of the specific risks and taking appropriate measures to alleviate the risk.

At December 31, 2010, if the USD had weakened/strengthened by 3% (2009: 7%) against the RMB with all other variables held constant, profit for the year would have been $799 (2009: $701) higher/lower as a result of foreign currency gains/losses on translation of RMB denominated monetary assets and liabilities.

(ii) Cash flow and fair value interest rate risk

We have no interest-bearing borrowings as of December 31, 2010 and 2009. Our exposure to changes in market interest rates is mainly attributable to our interest-bearing assets including term deposits with banks and cash and cash equivalents. As of December 31, 2010 and December 31, 2009, the term deposits with banks are all fixed interest rate instruments.

(iii) Credit risk

Credit risk arises from investments in checking and savings accounts, debt securities issued by U.S. Treasury, term deposits with banks, available-for-sale securities, accounts receivable and receivables from sales representatives.

We maintain checking, money market accounts, term deposits with banks, debt securities issued by U.S. Treasury held in custody with banks and available-for-sale securities with high quality institutions. We have a large number of customers, operate in different geographic areas and generally do not require collateral on accounts receivable or receivables from sales representatives. We generally collect in advance from customers in markets with higher credit risk. In addition, we are continuously monitoring the credit transactions and maintain impairment allowance where necessary.

Our maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Accounts receivable and receivables from sales representatives that are neither past due nor impaired are substantially companies with a good collection track record with us.

In the year ended December 31, 2010 and December 31, 2009, we derived more than 90% of our revenue from customers in the Asia-Pacific region. We expect that a majority of our future revenue will continue to be generated from customers in this region. Future political or economic instability in the Asia-Pacific region could negatively impact our business.

(iv) Liquidity risk

Cash flow forecasting is performed in our operating entities and aggregated by our finance personnel. Our finance personnel monitor rolling forecasts of our liquidity requirements to ensure it has sufficient cash to meet operational needs.

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 U.S. Treasury Bills until their maturity. 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.

Our financial liabilities which consist of accounts payable and accrued liabilities are due within 12 months and their contractual undiscounted cash flows approximate their carrying amount as the impact of discounting is not significant.

(v) Capital risk management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, we may return capital to shareholders and issue new shares. Currently we have no external borrowings and are not subject to any externally imposed capital requirements. We define the total equity as our capital.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES – (Not applicable)

PART II

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

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

– (Not applicable)

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS
– (Not applicable)

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(e) and 15d-15(e) under the Exchange Act, management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding our required disclosure.

Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2010, the end of the period covered by this report, our disclosure controls and procedures were effective.

Report of Management on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act.

Internal control over financial reporting refers to a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, Management and other personnel, 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our board of directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our 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.

Management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2010 using the framework set forth in the report of the Treadway Commission's Committee of Sponsoring Organizations ("COSO"), "Internal Control — Integrated Framework."

Based on the foregoing, management has concluded that our internal control over financial reporting was effective as of December 31, 2010. Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an audit report on our internal control over financial reporting, which is included herein.

Changes to Internal Controls

Management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, management has concluded that no such changes have occurred.

ITEM 15T. CONTROLS AND PROCEDURES

- (Not applicable)

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee financial expert is Roderick Chalmers, an independent director. Our other two audit committee members are David F. Jones and James Watkins, who are also independent directors.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics that applies to our chief executive officer, chief financial officer, chief accounting officer or controller and other persons performing similar functions. Our Code of Ethics is available on our website at www.corporate.globalsources.com.

During 2010, the Company did not grant any waiver, including any implicit waiver, from any provision of the Code of Ethics to the chief executive officer, chief financial officer, chief accounting officer or controller or other person performing similar functions.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers LLP served as our independent registered public accounting firm from August 2008.

The following table shows the aggregate audit fees, audit-related fees, tax fees and all other fees for the services provided by PricewaterhouseCoopers LLP for 2009 and 2010:

	Year ended December 31,	
	2010	2009
Audit fees	$959,022	$777,817
Audit-related fees	142,459	-

Total	$1,101,481	$777,817
Tax fees	27,926	24,009
All other fees	-	-
Total fees	$1,129,407	$801,826

Audit fees include fees associated with the review of the Company's annual financial statements and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

There were no audit-related fees billed to the Company by PricewaterhouseCoopers LLP for the fiscal year ended December 31, 2009. The audit-related fees billed to the Company by PricewaterhouseCoopers LLP for the fiscal year ended December 31, 2010, primarily consisted of professional services in relation to the Company's implementation of International Financial Reporting Standards.

Tax fees for year 2009 for tax compliance, tax advice and tax planning consisted of review of tax returns for five subsidiaries of the Company, filing of quarterly VAT returns for a subsidiary and permissible tax consulting and tax compliance advice. For year 2010 such fees consisted of review of tax returns for five subsidiaries of the Company, filing of Quarterly VAT returns for a subsidiary and permissible tax consulting and tax compliance advice.

Audit Committee's Pre-approval Policies and Procedures

Our Audit Committee nominates and engages our independent auditors to audit our financial statements. Our Audit Committee also requires management to obtain the Audit Committee's approval on a case-by-case basis before engaging our independent auditors to provide any audit or permitted non-audit services to us or our subsidiaries.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

(Not applicable)

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Issuer purchases of equity securities

Period	Total number of shares purchased	Average price paid per share (in U.S. Dollars)	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
December 1, 2008 to December 31, 2008	6,250,000	8.0	6,250,000	Nil
August 1, 2010 to August 31, 2010	11,121,000	9.0	11,121,000	Nil

On November 21, 2008, we commenced a tender offer for the purchase of up to 6.25 million of our common shares, or approximately 13.4% of our total common shares then outstanding, at a total purchase price of up to $50.0 million or $8.00 per share. The tender offer expired on December 19, 2008. Our common shares that were properly tendered and not properly withdrawn were greater than the number of shares that we offered to purchase. Consequently, we accepted for purchase on a pro rata basis 6.25 million of the shares properly tendered and not properly withdrawn by shareholders. We are holding the repurchased shares as treasury shares, which are disclosed as such on our balance sheet as of December 31, 2010.

On June 30, 2010, we commenced a tender offer for the purchase of up to 11,121,000 of our common shares, or approximately 24.9% of our total outstanding common shares as of April 30, 2010, at a total purchase price of up to $100,089,000 or $9.00 per share. The tender offer expired on July 28, 2010. Our common shares that were properly tendered and not properly withdrawn were greater than the number of shares that we offered to purchase. Consequently, we accepted for purchase on a pro rata basis 11,107,023 and on an “odd lot” basis 13,977 of the shares properly tendered and not properly withdrawn by shareholders. We are holding the repurchased shares as treasury shares, which are disclosed as such on our balance sheet as of December 31, 2010.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT - (Not applicable)

ITEM 16G. CORPORATE GOVERNANCE – (Not applicable)

PART III

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

ITEM 17. FINANCIAL STATEMENTS

– (Not applicable)

ITEM 18. FINANCIAL STATEMENTS

As provided in Item 8, the Company has presented financial statements in accordance with International Financial Reporting Standards in lieu of Item 18.

ITEM 19. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
1.1	Memorandum of Association of the Company. *
1.2	Bye-laws of the Company. *
1.3	Amendments to the bye-laws of Global Sources Ltd., as approved at the May 6, 2002 Annual General Meeting of Shareholders. ++
2.1	Specimen Certificate. *
4.2	Form of executive officer employment agreement. *
4.3	Employment Agreement dated November 1, 1999, by and between Trade Media Holdings Limited and Merle Hinrichs. *
4.4	Amendment to Employment Agreement dated January 19, 2000, between Trade Media Holdings Limited and Merle Hinrichs. *
4.5	Employment Agreement dated as of January 29, 2000, by and between LER Corporation and Merle Hinrichs. *
4.6	Form of Restricted Stock Award and Agreement, dated as of January 29, 2000, by and between LER Corporation and Merle Hinrichs. *
4.7	Amendment No.1 to Restricted Stock Award and Agreement dated as of February 29, 2000, by and between LER Corporation and Merle Hinrichs. *
4.8	Form of The Global Sources Employee Equity Compensation Plan No. I. *
4.9	Form of The Global Sources Employee Equity Compensation Plan No. II. *
4.10	Form of The Global Sources Employee Equity Compensation Plan No. III. *
4.18	Form of The Global Sources Employee Equity Compensation Plan No. IV. **
4.19	Form of The Global Sources Employee Equity Compensation Plan No. V. **
4.20	Form of The Global Sources Employee Equity Compensation Plan No. VI. ***
4.21	Form of The Global Sources Employee Equity Compensation Plan No. VII. *****
4.22	Global Sources' Code of Ethics (approved and adopted by the Board of Directors on March 7, 2003). ###
4.23	Form of The Global Sources Employee Equity Compensation Plan No. V (Amended). *****
4.24	Placement Agency Agreement dated March 17, 2005, between the Company and W.R. Hambrecht & Co. LLC. ####
4.25	Form of Purchase Agreement between the Company and certain purchasers of the common shares. ####
4.26	Shenzhen International Chamber of Commerce Tower Subscription Agreement dated July 5, 2004 (English translation). ++++
4.27	Real Estate Sales Contract of Shenzhen (Presale) dated August 31, 2004 (English translation). ++++
4.28	Supplemental Agreement to the Contract on Purchasing Shenzhen International Commercial Chamber Center Premises dated August 31, 2004 (English translation). ++++
4.29	Summary Table of Property Units and Payment Amounts. ++++
4.30	Supplementary Agreement Concerning Alteration of Payment Method dated December 3, 2004 (English translation). ++++
4.31	Sale and Purchase Agreement, dated May 24. 2006, by and between IDG Technology Venture Investment, Inc., Trade Media Holdings Limited and

	International Data Group, Inc. ~
4.32	Call Option Deed Relating to Shares in HC International, Inc., dated May 24, 2006, between Trade Media Holdings Limited and other parties thereto. ~
4.33	Call Option Deed Relating to Equity Interest in Beijing Huicong International Information Co., Ltd., dated May 24, 2006, between Trade Media Holdings Limited and HC Construction Co., Ltd. ~
4.34	The Global Sources Ltd. Directors Purchase Plan (as of 5 November 2005). +++++
4.35	The Global Sources Equity Compensation (2007) Master Plan. +++++
4.36	The Global Sources Share Grant Award Plan. ++++++
4.37	The Global Sources Retention Share Grant Plan. ++++++
4.38	Sale and Purchase Agreement, dated December 10, 2007, by and between Global Sources Ltd., Trade Media Holdings Limited and IDG Technology Venture Investment III, L.P. +++++++
4.39	The Global Sources Directors Share Grant Award Plan. ++++++++

4.40	Directors Purchase Plan (updated effective as of January 1, 2009). ++++++++
8.1	Subsidiaries of Global Sources Ltd.
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
13.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
14.1	Consent of Independent Accountants for incorporation of their report filed with Form 6-K into the Company's previously filed Registration Statements File No. 333-59058 and 333-62132. ****
14.2	Changes in Registrant's Certifying Accountant. +++
14.3	Letter to the SEC from the Company pursuant to SEC Release No. 33-8070, dated April 9, 2002. ****
14.4	Consent of Independent Accountants for incorporation of their report filed under Form 20-F into the Company's previously filed Registration Statements File No. 333-104426, 333-59058, 333-138474, 333-114411 and 333-154960.
14.5	Press release dated February 16, 2004 to announce the bonus share issue by Global Sources Ltd. ##
14.6	Press release dated March 1, 2005 to announce the bonus share issue by Global Sources Ltd. #####
14.7	Press release dated March 6, 2006 to announce the bonus share issue by Global Sources Ltd. ######
14.8	Press release dated March 5, 2007 to announce the bonus share issue by Global Sources Ltd. #######
14.9	Press release dated December 20, 2007 to announce the bonus share issue by Global Sources Ltd. ########
14.10	Press release dated February 4, 2008 to announce share buyback program #########
14.11	Press release dated February 12, 2009 to announce the bonus share issue by Global Sources Ltd. ##########
14.12	Letter to Securities and Exchange Commission from the Company's previous Independent Registered Public Accountants. ++++++++

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* Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on June 30, 2000.

** Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on April 5, 2001.

*** Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on June 1, 2001.

**** Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on April 25, 2002.

~ Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on June 12, 2006 and confidential treatment requested (the confidential portions of such exhibits have been omitted and filed separately with the Securities and Exchange Commission)

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Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on April 10, 2003.

+Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on April 30, 2002.

++Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on May 6, 2002.

+++Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on August 13, 2002.

++++Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on May 13, 2005.

+++++Incorporated by reference to Form S-8 Registration Statement filed with the Securities and Exchange Commission on November 7, 2006.

-128-

++++++Incorporated by reference to form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on June 28, 2007.
+++++++Incorporated by reference to form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on June 25, 2008.
++++++++Incorporated by reference to form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on June 26, 2009.
#Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on May 5, 2003.
##Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on February 18, 2004.
###Incorporated by reference to Form 20-F Annual Report of Global Sources Ltd. filed with the Securities and Exchange Commission on May 4, 2004.
####Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 21, 2005.
#####Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 8, 2005.
######Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 7, 2006.
#######Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on March 7, 2007.
########Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on December 21, 2007.
#########Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on February 5, 2008.
##########Incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on February 12, 2009.

-129-

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GLOBAL SOURCES LTD.

By: /s/ Connie Lai
Connie Lai,
Chief Financial Officer

Date: June 27, 2011

-130-