

Annual Report 2013



FINANCIAL HIGHLIGHTS

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

**Year Ended
December 31** **Year Ended
December 31**

CONSOLIDATED STATEMENT OF OPERATIONS

	2013	2012	% Change
Revenue.....	\$197,522	\$231,740	(15)
Sales costs	61,958	80,354	23
Event production	24,403	26,250	7
Community and content.....	27,481	32,696	16
General and administrative	50,272	44,281	(14)
Information and technology.....	12,729	13,188	3
Profit on sale of property	15,410	-	100
Profit from operations	36,089	34,971	3
Interest income.....	1,472	1,044	41
Gain on sale of available-for-sale securities	64	-	100
Share of loss of associate	-	24	100
Impairment loss on investment in associate	-	302	100
Income tax expense.....	4,753	2,744	(73)
Net profit	32,872	32,945	0
Net profit attributable to non-controlling interests	137	739	81
Net profit attributable to the Company's shareholders	\$32,735	\$32,206	2
Diluted earnings per share	\$0.91	\$0.90	1
Shares used in diluted net profit per share calculations	36,068,326	35,742,495	1

BALANCE SHEET HIGHLIGHTS

Cash and cash equivalents	\$137,359	\$104,631	31
Term deposits with banks.....	106	4,184	(97)
Financial assets, available-for-sale	6,367	7,472	(15)
Current assets	176,394	147,108	20
Property and equipment	49,701	30,442	63
Investment properties.....	89,615	97,377	(8)
Total assets	339,097	311,169	9
Current liabilities	115,284	118,705	3
Total liabilities	125,535	133,857	6
Total Company shareholders' equity.....	203,980	165,920	23

OTHER INFORMATION

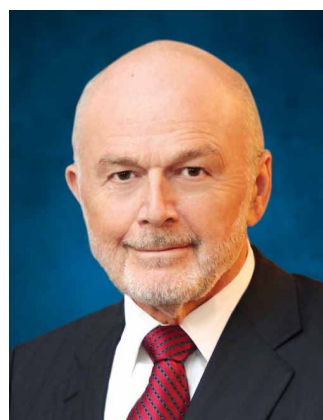
Net cash generated from operating activities	\$31,055	\$31,277	(1)
Capital expenditures.....	27,047	1,371	(1,873)
Stock price	\$8.13 ⁽¹⁾	\$6.48 ⁽¹⁾	25

⁽¹⁾ Stock price is based on last trading day of the year.

Fellow Shareholders,

2013 was a challenging year for Global Sources. Retail demand for consumer products was slow in most major markets, our advertisers and exhibitors experienced significant cost increases and overall ad spending in our markets declined. However, beginning in the fourth quarter we began to see signs of improvement, which is encouraging for the coming year. We have also maintained a very strong balance sheet with no short- or long-term debt.

Operationally, we continued to integrate our online and trade show services with the aim of delivering unique and enhanced value to our respective buyer and supplier communities. For export markets, we announced the launch of new *China Sourcing Fairs* for the new vertical of *Mobile and Wireless* and just recently, for the new location of Jakarta, Indonesia. During 2013, we also announced an acquisition that enhanced our position in the machinery industry and expanded our footprint in China's domestic B2B market.



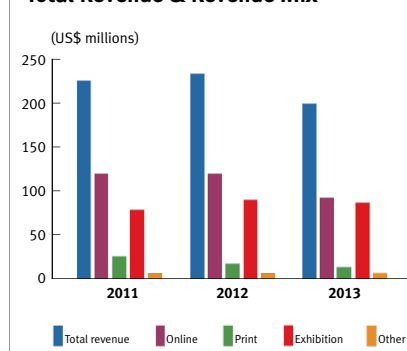
Merle A. Hinrich
Executive Chairman

Financial Highlights for 2013

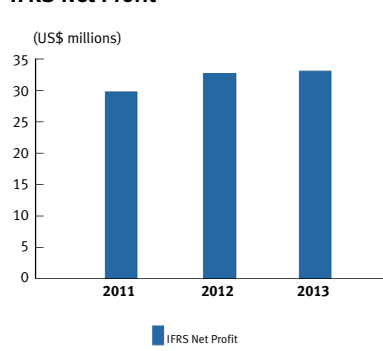
We achieved the following 2013 results compared to 2012, reported in accordance with the International Financial Reporting Standards (IFRS):

- Revenue was \$197.5 million, down 15% as compared to \$231.7 million;
 - Online revenue was \$91.4 million, down 23%;
 - Exhibitions revenue was \$85.6 million, down 4%; and
 - China grew to represent 83% of total revenue, up from 82%.
- Net profit was \$32.7 million, or \$0.91 per diluted share, as compared to \$32.2 million, or \$0.90 per diluted share.
- Cash and securities as of December 31st, 2013 totaled \$143.8 million.

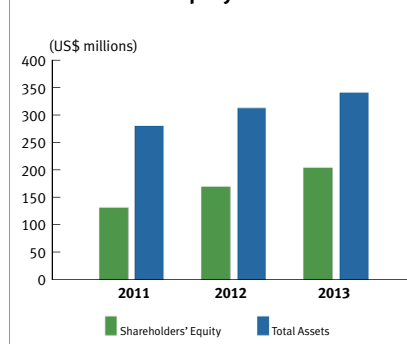
Total Revenue & Revenue Mix



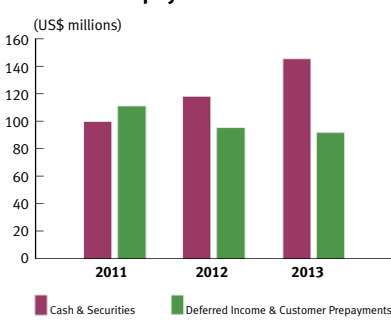
IFRS Net Profit



Shareholders' Equity & Total Assets



Cash & Securities, Deferred Income & Customer Prepayments



Key Industry Trends

2013 was a year of substantial economic uncertainty with weak consumer demand in key developed markets, while the emerging markets generally continued to grow in importance. The overall weakness continued into the early part of 2014 with China's exports showing a slight decline over the previous year. However, outside of the macro issues, there are several key trends that we see shaping our future.

A big factor impacting our industry is the ongoing importance of trade shows. They help buyers overcome the “trust” issues inherent in online-only environments and give them early access to the industry's most carefully selected products.



Trade show attendees, who include many trade show “fans” who rarely or never use online services, are a primary segment of our buyer community and account for a major portion of the buying power. In addition, these “Verified Buyers” are even more attractive to suppliers because they are “in-market” buyers who are actively sourcing.

Trade shows are also very important because of who participates. By exhibiting, a supplier demonstrates their size, existence and commitment to exporting. Accordingly, most buyers consider them to be more qualified than the average supplier they find online.

Similarly, the buyers have made a significant financial investment to travel to the show, a much larger commitment than simply going online and sending an inquiry. Accordingly, it is no surprise that our trade show attendees have much larger buying power than the average online user.

Both trade show and online media are necessary – but insufficient on their own. On the one hand, online marketplaces are valuable because they are fast, comprehensive and searchable. On the other hand, trade shows are essential for many buyers because they can personally evaluate products and suppliers, negotiate, and place orders. To source more safely, confidently and profitably, many buyers want to take advantage of both trade shows and online services.

Another big driver of trends, services and buyer behavior in our business is the sheer quantity of “products” and “exporters” that can be found online. This makes it riskier and more difficult than ever to find the right suppliers.

Buyers can find more than one million “export” suppliers online and many millions of products. However, the challenge for buyers becomes clearer when you realize that there are likely fewer than 150,000 suppliers of consumer goods in China who have a background that would qualify them as a legitimate potential supplier for a volume import buyer.



Given the overwhelming quantity of suppliers and products that can be found online, finding the right suppliers is riskier and more difficult than ever.

Business and Growth Strategy

Our overall growth strategy has four primary components:

- Penetration of the market for our export media;
- New product and market development;
- Expansion into China’s domestic B2B market; and
- Acquisitions, joint ventures and alliances

In our primary business, our focus is on serving the professional segment. By being an essential provider of information and services to buyers, we are able to be an important marketing partner for suppliers.

We give suppliers access to a community of buyers that is highly qualified, influential and exclusive – including Verified Buyers who have all been qualified face-to-face at our trade shows. To help suppliers win orders and establish profitable, long-term customers, we offer an integrated, multi-channel solution that includes the industry’s leading services for helping suppliers differentiate and boost their image or brand.

Connecting our communities

To connect global buyers with suppliers in China and throughout Asia, we have two broad underlying initiatives. One is to provide a unique combination of online and trade show services, and the other is to match the right buyers with the right suppliers.

Our primary strategy is to offer services that integrate the best of online with the best of trade shows. This *Find Them and Meet Them* initiative is boosting value for all four of our major constituencies: buyers who attend our shows; buyers who use our online services; exhibitors; and online advertisers.



Global Sources' *Find Them and Meet Them* initiative aims to provide buyers with the best of online media integrated with the best of trade shows. The goal is to overcome limitations of online-only environments and provide unique and essential sourcing content and services.

For example, our Product Showcases at the trade shows feature carefully selected products from hundreds of suppliers who do not have booths at the particular show. In addition, we are connecting more suppliers with show attendees using unique matching services like our *Personal Shortlisting Service*. As another example, for the April 2014 *China Sourcing Fairs* in Hong Kong we had more than 130,000 products online for buyers to view before the shows began.

The other key objective we are focused on is helping buyers find the right suppliers from among more than a million that they can find online. With GlobalSources.com we have proprietary systems that strive to include only those suppliers who have evidence of a background that would make them potential suppliers to the buyers we serve. Accordingly, this validated group of suppliers excludes the many thousands of other higher-risk suppliers.

We also help buyers find the right suppliers by providing vital data on suppliers' customers, credentials and compliances within our search results – and with our focus on featuring exclusive products from Verified Suppliers and trade show exhibitors.

Buyers' No.1 Search Format*

Valuable information like certifications, customers and capabilities

Multiple products at-a-glance and expandable view



Only here on GlobalSources.com

* Based on buyer surveys at the Hong Kong China Sourcing Fairs.

Global Sources' unique user interface provides the most content-rich row of search results in the industry. The "headline" features a primary buyer benefit and the search result also features an expandable product catalog and details about the suppliers credentials and capabilities.

Expanding our markets

For our export trade shows, we are focused on further penetrating the market including looking at opportunities in new verticals and for new trade shows. For example, our *Electronics* shows are a very strong franchise that we intend to continue developing. Booth sales for future shows are strong, and we have various expansion plans underway including launching a new show for the *Mobile and Wireless* category. In addition, we recently announced that *China Sourcing Fairs* will be launched in Jakarta, Indonesia later in 2014.

The domestic B2B market in mainland China is also an important growth opportunity where we will continue to develop existing properties and look for new opportunities. We have been steadily building our presence and plan to continue in this direction.

In recent years, much of our growth in the China domestic market has been driven by acquisitions. The most recent example was in 2013, when we entered into an agreement to acquire an interest in the *Shenzhen International Machinery Manufacturing Industry Exhibition* and its related shows, also called the *SIMM* events. The 2014 *SIMM* events took place in March and featured more than 4,000 booths. These events give us a strong presence in the machinery industry, which is a large and growing market sector and one of the



The largest *China Sourcing Fairs* are held each spring and fall in Hong Kong and regional shows are scheduled this year in Johannesburg, Sao Paulo, Miami and Jakarta.



Trade shows for the China domestic B2B market encompass mobile & wireless, semiconductors, fashion, optoelectronics, and machinery.

strategic pillars of mainland China's national economy. It is also the foundation of the manufacturing sector, supporting a wide scope of industrial production such as automobiles, computers and electronics.

Outlook

While we expect the challenging environment to continue in 2014, we have a very strong team and a long track record of uninterrupted profitability.

Our future opportunities are numerous and are based on the large and attractive markets around China's exports and domestic B2B market. We have an excellent set of products and services upon which to build, and a large and influential customer base. In addition, our balance sheet gives us the flexibility to explore a wide variety of options to grow our business and strengthen our competitive position.

Since we became a public company in 2000, we have been recognized numerous times for our excellence in corporate operations. In 2013 we were recognized again, this time with *The Asset's* Gold corporate award for excellence in management and corporate governance.

Finally, I want to thank our Chief Executive Officer Spenser Au, our Board of Directors, and all of our team members for their contributions. I also want to thank all of our customers for choosing Global Sources, and all of our shareholders for your continued support.

Sincerely,

Merle A. Hinrich
Executive Chairman
April, 2014

Management



Merle A. Hinrich, Executive Chairman

Mr. Hinrich has been a director since April 2000 and is currently our Executive Chairman. He was our Chief Executive Officer from April 2000 to August 2011. A co-founder of the business, he was the principal executive officer of our predecessor company, Trade Media Holdings Limited, a Cayman Islands corporation wholly owned by us ("Trade Media"), from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrich was chairman of the ASM Group, which included Trade Media. Mr. Hinrich is a director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrich graduated from the University of Nebraska and the Thunderbird School of Global Management ("Thunderbird"). Mr. Hinrich is a founder and former chairman of the Society of Hong Kong Publishers. He is a member of the board of trustees of Thunderbird and is a board member of the Economic Strategy Institute. He is also an investment Promotion Ambassador with Invest Hong Kong and established the Hinrich Foundation with the mission of promoting sustainable global trade. His term as director expires in 2015.



Spenser Au, Chief Executive Officer

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



Brent Barnes, Chief Operating Officer

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



Connie Lai, Chief Financial Officer

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



Peter Zapf, Chief Information Officer

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

Board of Directors



Merle A. Hinrich



Sarah Benecke*



Eddie Heng*



Roderick Chalmers*



David Jones*



James Watkins*



Peter Yam*

(Note: * indicates independent director)

Enabling successful trade for over 40 years

“ So far, we have received orders from four buyers and have learned about the latest product trends from other exhibitors. I would recommend Global Sources to other companies in the industry and would advise them to utilize the combination of the online platform and a trade show. ”

Ge Chuanlong, Manager
Ningbo Yinzhou Yichuan Artware Co. Ltd

“ In addition to the shows, we use GlobalSources.com, which helps us target quality buyers. This is how Global Sources differentiates itself from other platforms. The professional services it offers are helpful for us to increase sales in new markets. ”

Weijing, General Manager
Nanchang Wise Works Knitting Co. Ltd

“ Global Sources brings us many quality buyers who have high requirements for our products, which motivates us to go for a high-end positioning. We also work with other trading platforms, but they cannot provide the same complete service mix as that of Global Sources to help us maximize our exposure. ”

Pang Yan, General Manager
Nansin (HK) Limited



“ Global Sources features a large selection of suppliers and products. It also sends me regular e-mail alerts about new suppliers or products in my chosen category. ”

Desmond Cohen
Pacific Oasis

“ The Fair is the nicest show. It is easier to see products separated by pavilion. Here, companies are more established. At Canton Fair, most exhibitors are trading companies and do not have factories. ”

Hy Laniado
la femme fatale

“ We were impressed with the suppliers we met at the event. We look forward to working more with Global Sources going forward to find even more suppliers at the next Samsung Custom Private Sourcing Event in the third quarter. ”

Jang Yoo Chun
Samsung Electronics

global  sources

www.globalsources.com

Reliable Exporters – Find Them *and* Meet Them



Integrating the best of online and trade shows

Exclusive products:

- ✓ **60%** of products from Verified Suppliers are not on other websites
- ✓ **Thousands** of exhibitors' carefully-selected products are online – before, during and after trade shows

The right suppliers:

- ✓ More than **12,000** Verified Suppliers
- ✓ More than **25,000** exhibitors – from sourcing shows throughout Asia

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