

Annual Report 2012



FINANCIAL HIGHLIGHTS

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

Year Ended Year Ended
December 31, December 31,

CONSOLIDATED STATEMENT OF OPERATIONS

	2012	2011	% Change
Revenue	\$231,740	\$225,065	3
Sales costs	80,354	81,363	1
Event production	26,250	24,637	(7)
Community and content	32,696	34,078	4
General and administrative	44,281	40,660	(9)
Information and technology	13,188	12,607	(5)
Profit from operations	34,971	31,720	10
Interest income	1,044	360	190
Share of loss of associate	24	-	(100)
Impairment loss on investment in associate	302	-	(100)
Income tax expense	2,744	1,613	(70)
Net profit	32,945	30,467	8
Net profit attributable to non-controlling interests	739	991	25
Net profit attributable to the company's shareholders	\$32,206	\$29,476	9
Diluted earnings per share	\$0.90	\$0.83	8
Shares used in diluted net profit per share calculations	35,742,495	35,385,218	1

BALANCE SHEET HIGHLIGHTS

Cash and cash equivalents	\$104,631	\$81,903	28
Term deposits with banks	4,184	2,764	51
Financial assets, available-for-sale	7,472	13,250	(44)
Current assets	147,108	130,276	13
Property and equipment, net	30,442	55,761	(45)
Investment properties	97,377	75,370	29
Total assets	311,169	276,330	13
Current liabilities	118,705	127,976	7
Total liabilities	133,857	137,776	3
Total company shareholders' equity	165,920	129,673	28

OTHER INFORMATION

Net cash generated from operating activities	\$31,277	\$55,231	(43)
Capital expenditures	1,371	56,667	98
Stock price	\$6.48 ⁽¹⁾	\$4.85 ⁽¹⁾	34

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

Fellow Shareholders,

Global Sources had a solid year in 2012, once again delivering revenue and net income growth while maintaining our strong balance sheet and holding no debt. We achieved these strong results despite continued global economic uncertainty.

Operationally, we continued to enhance our online services, extend the global footprint of our trade shows, and further integrate our online services and trade shows. We also completed an acquisition in March 2012 that extended our position in the fashion industry and expanded our footprint in China's domestic B2B market.

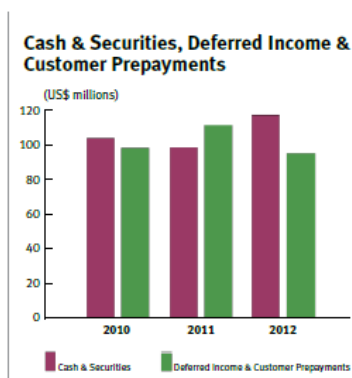
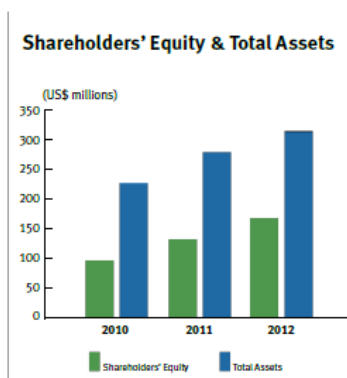
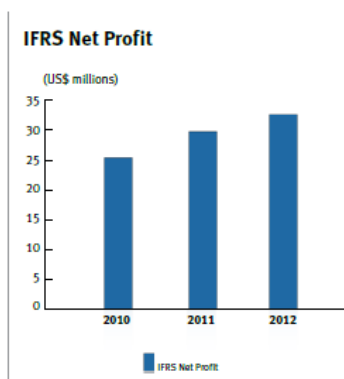
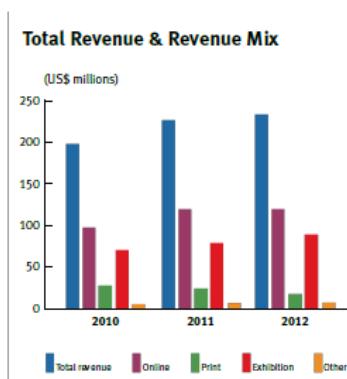


Merle A. Hinrichs
Executive Chairman

Financial Highlights for 2012

We achieved the following 2012 results compared to 2011, reported in accordance with the International Financial Reporting Standards (IFRS):

- Revenue was \$231.7 million, up 3% as compared to \$225.1 million;
 - Online revenue was \$119.0 million, up 1%;
 - Exhibitions revenue was \$88.8 million, up 14%; and
 - China grew to represent 82% of total revenue, up from 79%.
- Net profit was \$32.2 million, or \$0.90 per diluted share, as compared to \$29.5 million, or \$0.83 per diluted share.
- Cash and securities as of December 31st, 2012 totaled \$116.3 million.



Business and Growth Strategy

Our core business is connecting buyers worldwide with suppliers in Asia. The market has changed dramatically in the past few years with demand from Europe down substantially, soft demand in the United States, and emerging markets continuing to grow in importance.

In addition, there are four major forces that we see shaping the future.

- Buyers are overwhelmed with the amount of products and suppliers they find online and desperately want help to choose the right suppliers;
- Some suppliers have adapted to higher cost structures while many haven't – and for the future, most of the leaders will be those who sell on value, not price;
- Trade shows remain hugely important – to overcome the “trust” issues inherent in online-only environments, for the products that are shown – and because of the disproportionately large buying activity of the buyers who attend; and
- Suppliers want more than leads and online “ranking.” They also want to differentiate and to boost their image and brand.

Our strategy is to serve this market with innovative online, print and trade show media. Our objective is to be a vital provider of sourcing information to buyers and to address their needs at all stages of the sourcing process. By effectively serving buyers, we are able to be an essential marketing partner for suppliers by helping them achieve their objectives for sales leads, image and competitive differentiation, and orders.

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 exhibitions business, our *China Sourcing Fairs* have earned a reputation for showcasing a distinctive group of manufacturers from mainland China and throughout the region. In most cases we have more private China-based manufacturers than competitive shows, enabling buyers to purchase directly from the source.



Given the overwhelming quantity of suppliers that can be found online, buyers want help finding the right suppliers and in overcoming the inherent risks of online-only environments.

With regard to our export media, over the past year we have conducted over 9,000 face-to-face interviews with buyers to keep ahead of their evolving needs. The biggest need they have – by far – is for help in filtering through the overwhelming quantity of export suppliers that are online.

Or to put it another way, finding lots of potential suppliers is not the problem. The problem is finding the right suppliers.

Here are some of the questions buyers ask themselves when considering new suppliers:

- Are they who they claim to be?
- Have they made and exported the product they are offering – or are they promoting a picture of someone else's product?
- Do they have suitable manufacturing facilities?
- Will their quality meet my expectations?
- Will they follow through on their commitments?

We have numerous initiatives underway to address these needs, and to help buyers find reliable partners. We plan to introduce new types of content, additional filters, modifications to our search functionality, and user-interface changes that will present our content contextually and distinctively. We are also planning to introduce new services at our shows to help buyers connect with the most suitable potential suppliers. However, most significant perhaps, is our initiative to further integrate our trade shows with our online media.



Global Sources' unique 'one-row' user interface provides the most content-rich row of search results in the industry. The headline of each search result features a key buyer benefit, or the supplier's unique selling point. The one-row also features an expandable product catalog, the supplier's star-ranking and in-depth details about their credentials and capabilities.

Although "online marketplaces" have received much of the spotlight – and most of the headlines – over the last decade or so, two facts dramatically illustrate the relative importance of trade shows:

- Exporters spend far more to show their products at trade shows than they do to promote them online; and
- Many buyers consider online services to be absolutely essential – but absolutely insufficient.

It follows that the business activity related to shows may be similarly larger than what happens purely in the online environment. Buyers who travel to



Exporters spend much more to show their products at trade shows than they do to show them on online marketplaces. That's a clear indication of why most buyers consider online services to be absolutely essential – *and absolutely insufficient*.

attend our sourcing shows have more buying power than their online-only peers. Also, the products shown at booths are very carefully selected and include the latest designs and models.

With that as the background, our *Find Them and Meet Them* initiative has three primary objectives:

- To integrate the best of online media with the best of trade shows;
- To overcome the limitations of the online-only environment; and
- To develop content, communication, user interface and other innovations to simplify and enhance sourcing and marketing.

Here are a few examples of what our online and trade show integration initiative means to buyers:

- Buyers who come to the shows want to prepare so as to maximize the productivity of their visits. Accordingly, before the shows we have online services that enable them to see products that are going to be exhibited and to see the profiles of the exhibitors.
- Buyers who cannot come to the show can go online after the shows to search for exhibitors, see the new products that were shown at their booths – and even view their actual booths.
- In sharp contrast with online-only services, buyers can find suppliers online and in our other media – and then meet them at our shows.

To suppliers, our online and trade show integration initiative is so relevant because the foundation of any marketing campaign is the value of the buying community reached.



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.



Given their disproportionately large buying power, Global Sources concentrates its buyer community development efforts on “Verified Buyers” who have traveled to, and been qualified face-to-face at our trade shows. Having this buyer community is a major advantage over competitive online-only services.

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



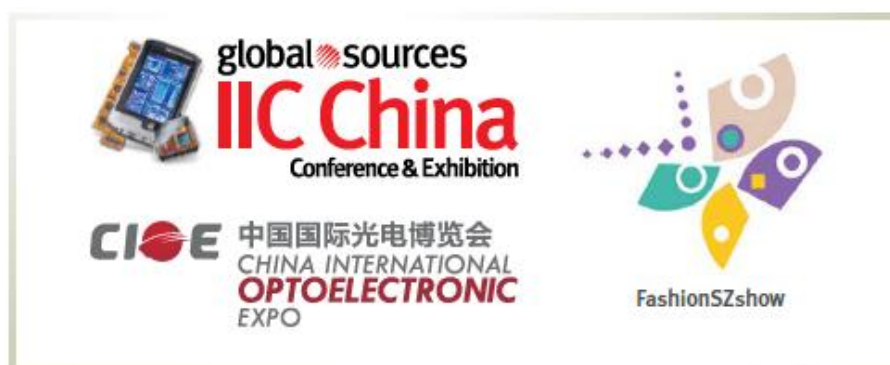
Global Sources has by far the largest geographic footprint of sourcing shows. The largest global *China Sourcing Fairs* are held each spring and fall in Hong Kong while regional shows are held in Johannesburg, Sao Paulo, New Delhi, Dubai and Miami.

Our registration systems and personal face-to-face access to trade show attendees enable us to engage these buyers with our full range of media – and thereby connect our advertisers and exhibitors with a highly qualified, influential, and exclusive buyer community.

To sum up the export media part of our business, trade shows are extremely significant and account for a large portion of trade. We have a clear and important advantage in this regard relative to online-only services. We also have a unique and distinctive service that is integrating and combining the best of shows with the best of online – and we intend to continue expanding this advantage to the benefit of our buyer and supplier communities.

Now, with regards to the domestic B2B market in China, we have been steadily building our presence and plan to continue in this direction. We have a community of more than four million users and we have positions in the semiconductor, optoelectronic, fashion and management sectors.

In recent years, much of our growth in the China domestic market has been driven by acquisitions. Recent examples include our *China International Optoelectronic Exposition* and our *China International Fashion Brand Fair – Shenzhen*, which enables Chinese and international fashion brands to develop their business in mainland China. Both shows have been financially successful and they give us a platform for further development into attractive sectors.



Trade shows for the China domestic B2B market include the *International IC show*, the *China International Optoelectronic Exposition*, and the *FashionSZshow*. In March 2012, we acquired an 80 percent interest in *FashionSZshow*, also known as the *China International Fashion Brand Fair – Shenzhen*. It is one of the leading fashion shows in Asia.

Outlook

In 2013, we see a challenging environment with limited visibility. Over our 43 year history, Global Sources has weathered many challenging economic and market situations through our continued focus on helping our buyer and supplier communities successfully manage the business challenges they face.

We are very excited about our future. Our growth prospects are based on a large and attractive market opportunity primarily focused on China's exports and domestic B2B market.

We have a highly experienced management team, a very strong balance sheet and a 43-year uninterrupted track record of profitability. We believe we are well positioned to continue our success in the years ahead.

Since we became a public company in 2000, we have been recognized numerous times for our excellence in corporate operations. In 2012 we were recognized again, this time with *The Asset's* Corporate Awards for excellence in social responsibility and investor relations.

Finally, I want to thank Spenser Au, our Chief Executive Officer, our Board of Directors, and all of our team members whose knowledge, experience and skills represent a considerable competitive advantage – and whose contributions were so instrumental in enabling our 2012 achievements. I also want to thank all of our customers for choosing Global Sources, and all of our shareholders for your continued support.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Merle A. Hinrich'.

Merle A. Hinrich
Executive Chairman
April, 2013

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)

Global and Regional Trade Shows

In Hong Kong, Johannesburg, Sao Paulo,
New Delhi, Dubai and Miami



Given their disproportionately large buying power, Global Sources concentrates its buyer community development efforts on “Verified Buyers” who have traveled to and been qualified face-to-face at our trade shows. These buyers help enable us to give all advertisers and exhibitors access to a highly-qualified, influential and exclusive buyer community.

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Find Them and Meet Them

The best of online with the best of trade shows



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 and marketing services.

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