global sources

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# Global Sources First Quarter 2007 Results

**- Quarterly Revenue Up 16%; Net Income Up 48% Compared to First Quarter 2006 -**

**- Increased Revenue Guidance to Range Between $86.9 Million and $87.9 Million for the First Half of 2007, Up 16% to 17% as Compared to the Prior Year's Period -**

**- Increased EPS Guidance to Range Between $0.28 and $0.30, up 40% to 50% Compared to the Prior Year's Period -**

**NEW YORK, May 22, 2007 -** Global Sources Ltd. (NASDAQ: GSOL) reported financial results for the first quarter ended March 31, 2007.

## Highlights: First Quarter 2007 Compared to First Quarter 2006

∗ Revenue was $34.9 million, up 16 percent from $30.0 million.
  - Online revenue was $17.3 million, up 14 percent from $15.1 million.
  - Print revenue was $11.8 million, up 7 percent from $11.0 million.
  - Exhibitions revenue was $4.8 million, up 30 percent from $3.7 million.

∗ Revenue from China was $18.4 million, up 30 percent from $14.2 million.

∗ Deferred income and customer prepayments were $76.1 million as at March 31st, up 23 percent from $62.0 million last year at March 31st.

Net income was $6.5 million, or $0.15 per diluted share, due to greater than expected revenue and margin contribution from the *12th Annual International IC-China Conference & Exhibition (IIC-China)*. This is as compared to $4.4 million, or $0.10 per diluted share, in the prior year's quarter.

Chairman and CEO Merle A. Hinrichs said: "First quarter results were driven by market penetration and new product development. We achieved a record number of booths at the *12th IIC-China* show and revenue from China grew by 30 percent. Also, our increased specialization of *Gifts & Home Products* into *Home Products* and *Gifts & Premiums*, together with our new *Security Products* magazine and its online marketplace, began contributing to revenue in the first quarter.

"We are moving forward with various initiatives to further expand into China's domestic B2B market where we will seek to leverage our brands, content, advertisers, sales organization, infrastructure, expertise and community. Our plans include the launch of two *China Sourcing Fairs* in Shanghai in December 2007; the launch of the Chinese-language *Elegant Living* magazine and website in September; and other initiatives still to be announced.

"Regarding our just completed April *China Sourcing Fairs* in Hong Kong, many exhibitors reported being impressed with the quality of buyers and, in turn, have committed to future *China Sourcing Fairs*. In fact, as a result of bookings at the April events, we have sold out our first Dubai show, to be held this coming June, and we have pre-sold the majority of our booth space for this October's *China Sourcing Fairs* in Hong Kong."

CFO Eddie Heng said: "We delivered greater than expected earnings per share of $0.15 for two reasons: First, revenue was greater than expected due to higher online services revenue; and second, we expanded *IIC-China* to include a new pavilion, and the overall show was more profitable."

**Financial Expectations: Second Quarter Revenue Increase - Up to 18 Percent**

Second quarter 2007 revenue is expected to be in the range of $52.0 million to $53.0 million, representing growth of between 16 percent and 18 percent compared to the same quarter last year. Second quarter 2007 earnings per diluted share are expected to be between $0.13 and $0.15. This range represents growth of between 30 percent and 50 percent when compared to $0.10 per diluted share in the second quarter 2006.

Revenue guidance for the six-month period ended June 30, 2007 is raised to now be in the range of $86.9 million to $87.9 million, up from the company's previous guidance of $83.5 million to $86.5 million given on March 6, 2007. The raised guidance range represents an increase of 16 percent to 17 percent as compared to $74.9 million for the first six months of 2006. As noted previously, given that the *China Sourcing Fairs* were held for the first time in Hong Kong in 2006, the company continues to invest heavily to maximize their success and expects 2007 investments in new *China Sourcing Fairs* to be similar to their revenue contribution.

Earnings per diluted share for the six-month period ended June 30, 2007 are expected to be in the range of $0.28 to $0.30. This range is up 40 percent to 50 percent when compared to $0.20 per diluted share for the same period in 2006.

"We expect the second half of 2007 to be stronger than the first half, reflecting contribution from new products including the new trade shows in Shanghai in December," Heng said. "Also, as usual, we expect the fall *China Sourcing Fairs* to be larger than the spring events."

**Recent Corporate Highlights: *IIC-China* and *China Sourcing Fairs*; AsiaWorld-Expo Contract Extended**

- Held four *China Sourcing Fairs* in Hong Kong this April: *Electronics & Components*; *Fashion Accessories*; *Gifts & Home Products*; and for the first time, *Underwear & Swimwear*. Over 6,200 booths were sold, up from approximately 5,900 in April 2006.

- Renewed and expanded contracts to host *China Sourcing Fairs* at Hong Kong's AsiaWorld-Expo from 2009 through 2012 and to include a new time period license for another show to be held each spring effective 2009.
- Held the *IIC-China* in March with a record-breaking 1,058 booths combined at events held in Shenzhen, Beijing and Shanghai, up 29 percent year-on-year.
- Announced plans to launch *Elegant Living* as a Chinese-language monthly magazine effective September 2007. *Elegant Living*'s editorial mission is to advance the quality of life for China's business executives by providing critical information through well-designed magazines, websites, events and exhibitions.
- Sold all 500 booths at the first Dubai *China Sourcing Fair*. To be held in June 2007, the show is expected to be the largest exhibition of Greater China suppliers ever held in Dubai.
- Increased Global Sources' independently certified community of active buyers to more than 600,000 at the end of the first quarter, a 24 percent increase compared to the same quarter last year.
- Grew lead generation through *Global Sources Online*, which is measured as requests for information from buyers to suppliers, to over 13.7 million for the 12 months ended March 31, 2007. This is a 48 percent increase over the same period last year.

**Conference Call for Global Sources First Quarter 2007 Earnings**

Global Sources plans to conduct a conference call at 8:00 a.m. EDT on May 22, 2007 (8:00 p.m. on May 22, 2007 in Hong Kong) to review these results in more detail. Investors in the United States may participate in the call by dialing (888) 212-8315, and international participants may dial (1-706) 643-0144. Investors in Hong Kong may call (852) 3011-4522. A live webcast of the conference call is scheduled to be available on Global Sources' corporate site at http://www.investor.globalsources.com .

A webcast replay of the call is scheduled to be available on the company's corporate site for at least 30 days. A telephone replay of the call is also scheduled to be available through May 24, 2007. To listen to the telephone replay, dial (800) 642-1687, or dial (1-706) 645-9291 outside the United States, and enter pass code 5163953#. For those in the Hong Kong area, the replay dial-in number is (852) 3011-4541, and enter pass code 5163953#.

**About Global Sources**

Global Sources is a leading business-to-business (B2B) media company and a primary facilitator of two-way trade with Greater China. The core business is facilitating trade from Greater China to the world, using a wide range of English-language media. The other key business segment facilitates trade from the world to Greater China using Chinese-language media.

The company provides sourcing information to volume buyers and integrated marketing services to suppliers. It helps a community of over 600,000 active buyers source more profitably from complex overseas supply markets. With the goal of providing the most effective ways possible to advertise, market and sell, Global Sources enables suppliers to sell to hard-to-reach buyers in over 230 countries.

The company offers the most extensive range of media and export marketing services in the industries it serves. It delivers information on 1.8 million products and more than 150,000 suppliers annually through 13 online marketplaces, 12 monthly magazines, over 100 sourcing research reports and nine specialized trade shows which run 22 times a year across seven cities.

Suppliers receive more than 13 million sales leads annually from buyers through Global Sources Online (http://www.globalsources.com) alone.

Global Sources has been facilitating global trade for 36 years. In mainland China it has over 1,700 team members in 44 locations, and a community of over 1 million registered online users and magazine readers for Chinese-language media.

***Safe Harbor Statement***
*This news release contains forward-looking statements within the meaning of Section 27-A of the Securities Act of 1933, as amended and Section 21-E of the Securities Exchange Act of 1934, as amended. The company's actual results could differ materially from those set forth in the forward-looking statements as a result of the risks associated with the company's business, changes in general economic conditions, and changes in the assumptions used in making such forward-looking statements.*

**GLOBAL SOURCES LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)**

| | At March 31 2007 (Unaudited) | At December 31 2006 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 36,454 | $ 25,192 |
| Available-for-sale securities | 120,764 | 130,603 |
| Accounts receivable, net | 6,382 | 6,468 |
| Receivables from sales representatives | 17,333 | 13,238 |
| Inventory | 1,012 | 889 |
| Prepaid expenses and other current assets | 20,113 | 14,174 |
| **Total Current Assets** | **202,058** | **190,564** |
| Property and equipment, net | 27,890 | 28,374 |
| Long term investments | 100 | 100 |
| Bonds held to maturity, at amortized cost | 293 | 289 |
| Other assets | 2,613 | 1,562 |
| **Total Assets** | **$ 232,954** | **$ 220,889** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 6,550 | $ 6,804 |
| Deferred income and customer prepayments | 73,463 | 62,036 |
| Accrued liabilities | 10,167 | 12,427 |
| Income taxes payable | 929 | 751 |
| **Total Current Liabilities** | **91,109** | **82,018** |
| Liabilities for incentive and bonus plans | 102 | 102 |
| Deferred income and customer prepayments – long term | 2,684 | 1,802 |
| Deferred tax liability | 368 | 403 |
| **Total Liabilities** | **94,263** | **84,325** |
| Minority interest | 3,930 | 2,913 |
| **Shareholders' equity:** | | |
| Common shares, US$0.01 par value; 75,000,000 shares authorized; 42,337,568 (2006: 42,271,568) shares issued and outstanding | 423 | 423 |
| Additional paid in capital | 126,776 | 125,832 |
| Retained earnings | 11,358 | 4,830 |
| Accumulated other comprehensive (loss) income | (3,796) | 2,566 |
| **Total Shareholders' Equity** | **134,761** | **133,651** |
| **Total Liabilities and Shareholders' Equity** | **$ 232,954** | **$ 220,889** |

## GLOBAL SOURCES LTD. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## (In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

| | Three months ended March 31 | |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| **Revenue:** | | |
| Online and other media services (Note 3) | $ 29,045 | $ 26,090 |
| Exhibitions | 4,816 | 3,712 |
| Miscellaneous | 1,086 | 229 |
| | **34,947** | **30,031** |
| **Operating Expenses:** | | |
| Sales (Note 4) | 11,136 | 9,909 |
| Event production | 613 | 619 |
| Community (Note 4) | 5,273 | 4,674 |
| General and administrative (Note 4) | 9,953 | 9,379 |
| Online services development (Note 4) | 1,286 | 1,054 |
| Amortization of software costs | 40 | 302 |
| **Total Operating Expenses** | **28,301** | **25,937** |
| **Income from Operations** | **6,646** | **4,094** |
| Interest and dividend income | 1,392 | 1,030 |
| Gain on sale of available-for-sale securities | - | 73 |
| Foreign exchange gains (losses), net | (274) | (27) |
| **Income before Income Taxes** | **7,764** | **5,170** |
| **Income Tax Expense** | **(219)** | **(203)** |
| **Net Income before Minority Interest** | **$ 7,545** | **$ 4,967** |
| Minority interest | (1,017) | (811) |
| **Net Income before cumulative effect of change in accounting principle** | **$ 6,528** | **$ 4,156** |
| Cumulative effect of change in accounting principle (Note 5) | - | 251 |
| **Net Income** | **$ 6,528** | **$ 4,407** |
| **Diluted net income per common share** | **$ 0.15** | **$ 0.10** |
| **Common shares used in diluted net income per common share calculations** | **40,979,435** | **40,735,777** |

Note : 3. Online and other media services consists of:

| | Three months ended March 31 | |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| Online services | $ 17,270 | $ 15,094 |
| Print services | 11,775 | 10,996 |
| | **$ 29,045** | **$ 26,090** |

Note : 4. Non-cash compensation expenses associated with the several employee equity compensation plans and Directors Purchase Plan included under various categories of expenses are as follows:.

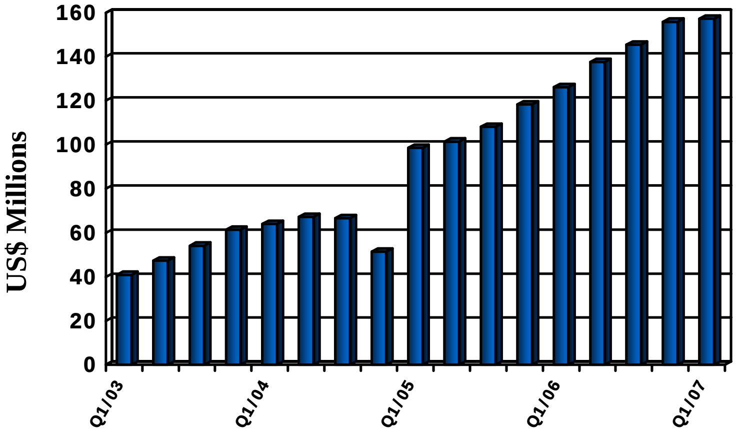
| | Three months ended March 31 | |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| Sales | $ (133) | $ 197 |
| Community | 85 | 32 |
| General administrative | 509 | 529 |
| Online services development | 62 | 59 |
| | $ 523 | $ 817 |

Note : 5. Represents the cumulative effect of change in accounting principle, resulting from the adoption of SFAS No. 123(R) with effect from January 1, 2006.

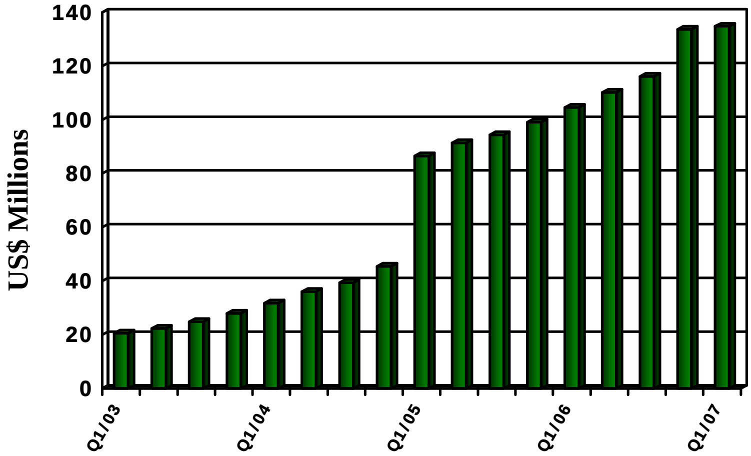
## GLOBAL SOURCES LTD. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
### (In U.S. Dollars Thousands, Except Number of Shares and Per Share Data)

| | Three months ended March 31 | |
|---|---|---|
| | 2007 | 2006 |
| | (Unaudited) | (Unaudited) |
| **Cash flows from operating activities:** | | |
| Net income | $ 6,528 | $ 4,407 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 1,072 | 1,071 |
| Accretion of U.S. Treasury strips zero % coupons | (4) | (7) |
| Unrealised dividend income on available-for-sale securities | - | (253) |
| Unrealised interest income on available-for-sale securities | (750) | (8) |
| Bad debt expense | 100 | 43 |
| Non-cash compensation expense | 523 | 817 |
| Income attributable to minority shareholder | 1,017 | 811 |
| Equipment written off | 4 | - |
| Cumulative effect of change in accounting principle | - | (251) |
| | 8,490 | 6,630 |
| **Changes in assets and liabilities:** | | |
| Accounts receivables | (14) | 579 |
| Receivables from sales representatives | (4,095) | (4,550) |
| Inventory | (123) | (42) |
| Prepaid expenses and other current assets | (5,939) | (6,029) |
| Long term assets | (1,051) | (254) |
| Accounts payable | (254) | 264 |
| Accrued liabilities and liabilities for incentive and bonus plans | (2,260) | 2,366 |
| Deferred income and customer prepayments | 12,309 | 9,026 |
| Tax liability | 143 | 83 |
| **Net cash provided by operating activities** | **7,206** | **8,073** |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | (592) | (660) |
| Purchase of available-for-sale securities | (105,682) | (104,674) |
| Proceeds from sale of available-for-sale securities | 109,908 | 98,728 |
| **Net cash generated from (used in) investing activities** | **3,634** | **(6,606)** |
| **Cash flows from financing activities:** | | |
| Amount received towards directors purchase plan | 422 | 359 |
| **Net cash generated from financing activities** | **422** | **359** |
| Net increase in cash and cash equivalents | 11,262 | 1,826 |
| Cash and cash equivalents, beginning of the period | 25,192 | 94,321 |
| **Cash and cash equivalents, end of the period** | $ 36,454 | $ 96,147 |
| **Supplemental cash flow disclosures:** | | |
| Income tax paid | $ 76 | $ 120 |

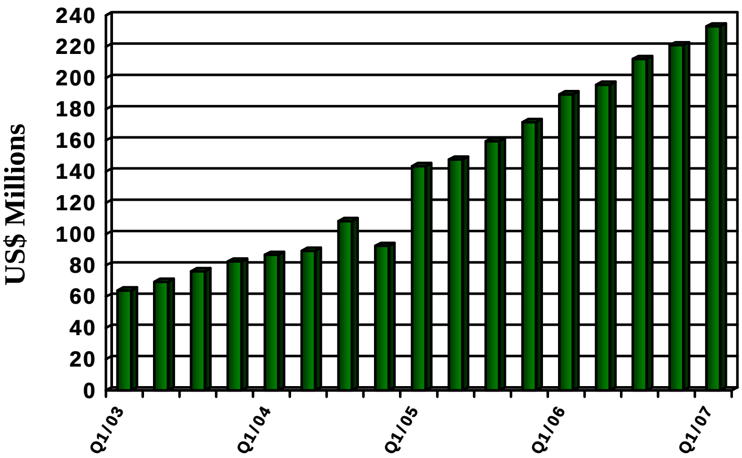
**Total Cash and Securities**




**Total Shareholders' Equity**




**Total Assets**




**Total Deferred Income Customer Prepayments**