

GLOBAL SOURCES LTD /BERMUDA  
Form 20-F  
April 28, 2014

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

FORM 20-F

(Mark One)

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

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the fiscal year ended December 31, 2013.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OR

Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Date of event requiring this shell company report.....For the transition period  
from ..... to .....

Commission file number 000-30678  
GLOBAL SOURCES LTD.  
(Exact name of Registrant as specified in its charter)

Global Sources Ltd.  
(Translation of Registrant's name into English)

Bermuda  
(Jurisdiction of incorporation or organization)

Canon's Court  
22 Victoria Street  
Hamilton, HM 12 Bermuda  
(Address of principal executive offices)

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(Name, Telephone, E-mail and /or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, \$0.01 Par Value	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: NONE

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

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

Yes

No

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## FORWARD-LOOKING STATEMENTS

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

These risks include:

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

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

In this Annual Report on Form 20-F, except as specified otherwise or unless the context requires otherwise, “we”, “our”, “us”, the “Company”, the “Group” and “Global Sources” refer to Global Sources Ltd. and its subsidiaries. All references to “fiscal” in connection with a year shall mean the year ended December 31.

## SPECIAL NOTE ON OUR FINANCIAL INFORMATION PRESENTED IN THIS ANNUAL REPORT

Our consolidated financial statements included in this Annual Report on Form 20-F have been prepared in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. We adopted IFRS effective as at December 31, 2010. Our consolidated financial statements as of and for the year ended December 31, 2009 were originally prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and were restated in accordance with IFRS for comparative purposes only.



In accordance with rule amendments adopted by the U.S. Securities Exchange Commission (the "SEC"), which became effective on March 4, 2008, we do not provide a reconciliation to U.S. GAAP.

All financial information contained herein is expressed in United States Dollars, unless otherwise stated.

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## PART I

- ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS  
– (Not applicable)
- ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE  
– (Not applicable)
- ITEM 3. KEY INFORMATION

## Selected Financial Data

The following tables present the selected historical financial data of our company as of and for each of the years in the five-year period ended December 31, 2013. The selected financial information as of and for the years ended December 31, 2013, 2012 and 2011 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, the section entitled “Operating and Financial Review and Prospects” and our audited consolidated financial statements and related notes, which are included elsewhere in this document. The consolidated statements of income data for each of the three years ended December 31, 2013, 2012 and 2011 and selected consolidated balance sheet data as of December 31, 2013 and 2012 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this document. The consolidated statement of income data for the years ended December 31, 2010 and 2009, and the selected consolidated balance sheet data as of December 31, 2011, 2010 and 2009 are derived from our audited financial statements not included in this document.

As disclosed above under “Special Note on Our Financial Information In This Annual Report”, our consolidated financial statements as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 have been prepared and presented in accordance with IFRS, as issued by the International Accounting Standards Board.

	Year ended December 31,				
	2013	2012	2011	2010	2009
(In U.S. Dollars Thousands, Except Number of Shares and per Share Data)					
<b>Income Statement Data:</b>					
<b>Revenue</b>					
Online and other media services	\$ 104,629	\$ 136,101	\$ 141,475	\$ 122,203	\$ 113,775
Exhibitions	85,636	88,782	77,973	69,450	55,147
Miscellaneous	7,257	6,857	5,617	4,996	3,985
	197,522	231,740	225,065	196,649	172,907
<b>Operating Expenses:</b>					
Sales (Note 1)	61,958	80,354	81,363	71,923	63,740
Event production	24,403	26,250	24,637	21,875	18,385
Community and content (Note 1)	27,481	32,696	34,078	31,923	34,524
General and administrative (Note 1)	50,272	44,281	40,660	33,463	30,045
Information and technology (Note 1)	12,729	13,188	12,607	11,839	11,784
Total Operating Expenses	176,843	196,769	193,345	171,023	158,478
Profit on sale of property	15,410	-	-	-	-

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Profit from Operations	36,089	34,971	31,720	25,626	14,429
Interest income	1,472	1,044	360	510	981
Share of loss of associate	-	(24 )	-	-	-
Gain on sale of available-for-sale securities	64	-	-	1,223	-
Impairment loss on investment in associate	-	(302 )	-	-	-
Profit before income taxes	37,625	35,689	32,080	27,359	15,410
Income tax expense	(4,753 )	(2,744 )	(1,613 )	(1,117 )	(498 )
Net profit	32,872	32,945	30,467	26,242	14,912
Net profit attributable to non-controlling interests	(137 )	(739 )	(991 )	(991 )	(618 )
Net profit attributable to the Company's shareholders	\$32,735	\$32,206	\$29,476	\$25,251	\$14,294

Basic net profit per share attributable to the Company's shareholders	\$0.95	\$0.95	\$0.87	\$0.63	\$0.32
Diluted net profit per share attributable to the Company's shareholders	\$0.91	\$0.90	\$0.83	\$0.61	\$0.31
Cash dividends declared per share	-	-	-	-	-
Shares used in basic net profit per share calculations	34,426,468	34,017,730	33,742,648	40,283,874	44,546,226
Shares used in diluted net profit per share calculations	36,068,326	35,742,495	35,385,218	41,693,616	45,751,437
	As at December 31,				
	2013	2012	2011	2010	2009

(In U.S. Dollars Thousands Except Number of Shares)

<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$137,359	\$104,631	\$81,903	\$101,298	\$91,553
Financial assets, available-for-sale	\$6,367	\$7,472	\$13,250	\$-	\$6,423
Total assets (Note 2)	\$339,097	\$311,169	\$276,330	\$225,703	\$271,593
Net assets	\$213,562	\$177,312	\$138,554	\$102,460	\$171,581
Long-term debt, less current portion	\$10,251	\$15,152	\$9,800	\$8,107	\$4,107
Total Company shareholders' equity (Note 2)	\$203,980	\$165,920	\$129,673	\$94,295	\$164,067
Common share capital	\$525	\$521	\$518	\$516	\$514
Common shares outstanding (Note 2)	34,485,771	34,069,363	33,793,948	33,573,540	44,552,642

(Note Non-cash compensation expenses associated with the employee and non-employee equity compensation plans, including the Global Sources Directors Share Grant Award Plan included under various categories of expenses are approximately as follows: sales expenses: \$539 (2012: \$565; 2011: \$737; 2010: \$545; 2009: \$691), community and content: \$43 (2012: \$70; 2011: \$234; 2010: \$284; 2009: \$228), general and administrative: \$1,340 (2012: \$1,524; 2011: \$1,528; 2010: \$1,089; 2009: \$556), and information and technology expenses: \$248 (2012: \$250; 2011: \$278; 2010: \$269; 2009: \$263).

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

## Risk Factors

In addition to other information in this Annual Report, the following risk factors should be carefully considered in evaluating us and our business. Such factors may have a significant impact on our business, operating results and financial condition. As a result of the risk factors set forth below and elsewhere in this Annual Report, and the risks discussed in our other Securities and Exchange Commission filings, actual results could differ materially from those projected in any forward-looking statements. Such risks and uncertainties are not the only ones facing us. Other risks or events that are not presently known to or anticipated by us, or that we currently deem immaterial, may also adversely affect our business, operating results and financial condition.

The risk factors set forth below are organized into three categories: “Industry Risks”, “Company Risks” and “Investment Risks.” Within each of these categories, the individual risk factors are arranged in a sequence which roughly corresponds with our view as to their order of significance, beginning with those that we consider to be of higher significance.

#### Industry Risks

The mainland China market is key to our current and future success and political instability in this market could seriously harm our business and reduce our revenue.

Our customers in mainland China accounted for approximately 83% of our total revenues in 2013. Our dependence on revenue from the mainland China market is significant, and adverse political, legal or economic changes in mainland China may harm our business and cause our revenues to decline.

The Chinese government has instituted a policy of economic reform which has included encouraging foreign trade and investment, and greater economic decentralization. However, the Chinese government may discontinue or change these policies, or these policies may not be successful.

Moreover, despite progress in developing its legal system, mainland China does not have a comprehensive and highly developed system of laws, particularly as it relates to foreign investment activities and foreign trade. Enforcement of existing and future laws, regulations and contracts is uncertain, and implementation and interpretation of these laws and regulations may be inconsistent. As the Chinese legal system develops, new laws and regulations, changes to existing laws and regulations, and the interpretation or enforcement of laws and regulations may adversely affect business operations in and revenue from mainland China.

While Hong Kong has had a long history of promoting foreign investment, its incorporation into China means that the uncertainty related to mainland China and its policies may now also affect Hong Kong.

Exports from mainland China are key to our current and future success and uncompetitive cost conditions in this market, or a potential backlash against mainland Chinese-made products arising from inadequate product safety and quality standards, and/or fraudulent behavior by sellers, could reduce our revenue and seriously harm our business.

Mainland China is the largest supplier of consumer products to the world. Our actual and potential customers are mainly suppliers who are based in mainland China. Should mainland China manufacturers' production costs go up substantially (for example, due to the further appreciation of the Chinese Renminbi ("RMB"), wage and product input price inflation, reduced export rebates and new environmental or labor regulations), products from mainland China may become less competitive on price versus other supply markets. There is also increasing competition from alternative cheaper emerging supply markets in the Asia-Pacific region, such as Vietnam and Indonesia. If products from mainland China become less competitive on price, buyers may shift their production sources or supply sources to other cheaper alternative markets or even bring their production in-house or to their own home countries, which would likely in turn have a negative impact on the demand in mainland China for our various export-focused media and marketing services.

In recent years, there have been several highly publicized incidents involving products made in mainland China not meeting consumer standards in overseas markets. More recently, there have been reports of fraudulent behavior whereby sellers in mainland China have taken orders and payment and then not delivered the products. If these kinds of issues continue or worsen, there may be a strong backlash against products made in mainland China and our business and financial condition may consequently suffer.

International trade, and especially imports from the Greater China region (which includes mainland China, Hong Kong and Taiwan), is subject to political, legal and economic instability, which may inhibit our ability to be successful.

The international markets in which we operate are subject to risks, including:

- fluctuations in regional and/or global economic conditions;
- fluctuations in the availability of trade finance, especially for small and medium enterprises in Greater China region;
  - fluctuations in currency exchange rates;

- governments could increase trade protection measures including tariffs, quotas, import duties or taxes, thereby significantly reducing demand for imported goods;
  - political instability;
  - the threat of terrorist attacks;
  - conflicting and/or changing legal and regulatory requirements;

- restrictions placed on the operations of companies with a foreign status;
- significant changes in tax laws and regulations (or the interpretation, practice or policies in respect thereof by tax authorities), tax rates and tax reporting requirements;
- the loss of revenues, property and equipment from expropriation, nationalization, war, insurrection, terrorism and other political risks;
  - adverse governmental actions, such as restrictions on transfers of funds; and
    - oil embargoes or significant increases in oil prices.

In 2013, we derived approximately 95% of our revenues from customers in the Greater China region. We expect that a majority of our future revenues will continue to be generated from customers in this region. At the time of the Asian economic crisis of 1997 and 1998, and the global financial crisis of 2008 and 2009, our revenues and operating results were adversely affected, and our sales declined. Future reductions in trade between Greater China and the world may cause our business to be harmed and our revenues to decrease.

Our industry is intensely competitive, evolving and subject to rapid change. If we are unable to compete effectively, we will lose current customers and fail to attract new customers. If that happens, our business may not be successful and our financial condition may be adversely affected.

Our industry is intensely competitive, particularly in the online space, which is becoming increasingly crowded with new market participants. Barriers to entry are minimal, and competitors are able to launch new websites and other media at a low cost. We constantly face threats from competition, including from non-traditional competitors and new forms of media. We compete for our share of customers' marketing and advertising budgets with other online marketplaces, trade publications and trade shows. Competitors vary in size, geographic scope, industries served and breadth of the products and services offered. We may encounter competition from companies which offer more comprehensive content, services, functionality and/or lower prices. We may also encounter competition from companies offering software services and e-commerce transactional platforms.

Many of our current and potential competitors may have greater financial, technical, marketing and/or other resources than we have. Also, others may have more experience and greater name recognition. In addition, many of our competitors may have established relationships with one another and with our current and potential suppliers and buyers and may have extensive knowledge of our industry. Current and potential competitors have established or may establish cooperative relationships with third parties to increase the ability of their products to address customer needs. Accordingly, our competitors may develop and rapidly acquire significant market share.

We endeavor to monitor significant business, market, competitive, financial, economic, political, legal, regulatory and/or other relevant trends and developments in the various markets and jurisdictions in or with which we actually or may potentially conduct our business and/or operations; to evaluate the corresponding opportunities and/or risks for us, if any; and to strategize, adapt and respond as appropriate (in which case we may have to incur significant expenditures to implement our strategies). However, we may not always be successful in correctly spotting, evaluating, appreciating the extent, significance or impact of, or in implementing appropriate strategies, initiatives or other measures in response to, such trends, developments, opportunities and risks; or we may fail or be unable to do so in a timely manner or at all. If that happens, we may fail to adapt and compete effectively and to grow our business and revenues, or we may incur significant costs to address lost time and opportunity, or we may suffer other costs or



adverse consequences; in which event, our business and financial condition could thereby be harmed.

Current and future economic uncertainty, slowdowns, or recessions have reduced and may continue to reduce demand and spending for business-to-business marketing services. This has in the past adversely affected and could in the future adversely affect our revenues and operating results.

The revenue and profitability of our business depends significantly on the overall demand for business-to-business media services. We believe that the demand for these services of ours is subject to a number of potentially negative factors, such as the large recent decline in global trade, the fact that many economies in the world have recently been in a recession and ongoing economic uncertainties. In addition, potential sovereign debt risks could adversely affect foreign trade. Accordingly, the overall level of global demand for mainland China's and Asia's exports may not be sustainable in the foreseeable future.

As a result of the global market conditions, we may incur operating losses and net losses in the future, and we may not be able to achieve positive cash flow from operations. We have a significant fixed operating expense, which may be difficult to adjust in response to unanticipated fluctuations in revenues.

We depend upon Internet search sites and other online marketing channels to attract a significant portion of the users who visit our websites, and if we were listed less prominently in Internet search result listings, or if we are unable to rely on our other online marketing channels as a cost-effective means of driving visitors to our websites, our business, operating results and financial condition could be harmed.

We derive a significant portion of our website traffic from users who search for content through Internet search sites, such as Google, Baidu, Bing and other Microsoft-powered search sites. A critical factor in attracting users to our websites is whether we are prominently displayed in such Internet search results.

Search result listings are determined and displayed in accordance with a set of formulas or algorithms developed by the particular Internet search site. The algorithms determine the order of the listing of results in response to the user's Internet search. From time to time, search sites revise these algorithms. In some instances, these modifications may cause our websites to be listed less prominently in unpaid search results, which will result in decreased traffic from search site users to our websites.

Our websites may also become listed less prominently in unpaid search results for other reasons, such as search site technical difficulties, search site technical changes and changes we make to our websites. In addition, search sites have deemed the practices of some companies to be inconsistent with search site guidelines and have decided not to list their websites in search result listings at all. If we are listed less prominently or not at all in search result listings for any reason, the traffic to our websites will likely decline, which could harm our operating results. If we decide to attempt to replace this traffic, we may be required to increase our marketing expenditures, which also could harm our operating results and financial condition.

We also rely on other online marketing channels (such as "pay per click" marketing) as an important means of driving visitors to our websites. However, the cost of such online marketing channels can change very frequently (often daily), and it is unclear whether such online marketing channels will remain cost-effective for us. If we are unable to rely on such online marketing channels as a cost-effective means of driving visitors to our websites, our business, operating results and financial condition could be harmed; or if we continue to rely on such marketing channels despite their increased costs, our marketing expenditures will increase, which also could harm our operating results and financial condition.

Digital magazines may not become widely adopted and this may have an adverse effect on our competitive position.

Technology, particularly digital technology used in the media industry, continues to evolve rapidly, and advances in that technology have led to alternative methods for the distribution of magazine content. Many publishers including ourselves have launched various types of digital magazines, often to complement print magazine editions. Our initiatives may not become widely adopted by buyers and other users, or advertisers, which could have a significant adverse effect on our competitive position and our businesses and results of operations.

Evolving regulation of the Internet and commercial e-mail may affect us adversely.

As Internet commerce continues to evolve, increasing legislation and regulation by governments and agencies become more likely. We use e-mail as a significant means of communicating with our existing and potential customers and

users. We also provide “@globalsources.com” e-mail addresses to our clients, for their use. The laws and regulations governing the use of e-mail for marketing purposes continue to evolve, and the growth and development of the market for commerce over the Internet may lead to the adoption of additional legislation and/or changes to existing laws. Existing, new or additional legal prohibitions on the transmission of unsolicited commercial e-mail (commonly known as “spam”), coupled with aggressive enforcement, could reduce our ability to promote our services in a cost-efficient manner and our ability to facilitate communications between suppliers and buyers and, as a result, adversely affect our business and financial condition.

In addition to legal restrictions on the use of e-mail, Internet service providers, various operators of Internet mailbox services, anti-spam organizations and others typically attempt to block the transmission of unsolicited e-mail and are increasing the number and volume of unsolicited e-mails they are blocking. With this increasing vigilance also comes an increased rate of “false positives”, i.e. legitimate e-mails being wrongly identified as “spam.” If an Internet or other service provider or software program identifies e-mail from us (or from our clients to whom we have provided “@globalsources.com” e-mail addresses) as “spam”, we could be placed on a restricted list that would block our e-mails to our actual or potential customers or users who maintain e-mail accounts with these Internet service or other providers or who use these software programs or our e-mails could be routed to bulk folders and ignored. If we are unable to communicate by e-mail with our actual or potential customers or users as a result of legislation, blockage of our e-mails, routing of our e-mails to bulk folders, or otherwise, our business, operating results and financial condition could be harmed.

In addition, taxation of products and services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business, operating results and financial condition.

The laws governing Internet transactions and market access over the Internet are evolving and remain largely unsettled. The adoption or modification of laws or regulations relating to the Internet may harm our business and financial condition by increasing our costs and administrative burdens. It may take years to determine whether and how existing laws apply to the Internet.

Changes in laws and regulations could adversely affect our business, operating results and financial condition.

It is possible that new laws and regulations or new interpretations of existing laws and regulations in the United States, the European Union, mainland China and elsewhere will be adopted covering issues affecting our business, including:

- privacy, data security, the use of “cookies” and the use of personally identifiable information;
- copyrights, trademarks and domain names; and
- marketing practices, such as telemarketing, e-mail or direct marketing or online behavioral advertising.

Increased government regulation of, or the application of existing laws to, online activities or other relevant business, operational or marketing practices, could:

- decrease the growth rate of our business;
  - reduce our revenues;
- increase our operating expenses; or
- expose us to significant liabilities.

Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is still evolving. Therefore, we might be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Any impairment in the value of these important assets could cause our share price to decline. We cannot be sure what effect any future material non-compliance by us with these laws and regulations or any material changes in these laws and regulations could have on our business, operating results and financial condition.

We endeavor to monitor significant relevant legal and regulatory developments that could impact our business and operations. However, we may not always be successful in correctly spotting, evaluating, appreciating the extent, significance or impact of, or in adapting and implementing appropriate measures in response to, such developments; or we may fail or be unable to do so in a timely manner or at all. If that happens, we may incur significant legal liabilities, costs in mitigating or otherwise addressing the issue, or other adverse consequences, and our business, operating results and financial condition could thereby be harmed.

Changes in laws and standards relating to data collection and use practices and the privacy of Internet users and other individuals could impair our efforts to maintain and grow our audience and thereby decrease our advertising revenue.

We collect information from our users who register for services or respond to surveys. Subject to each user's permission (or right to decline), we may use this information to inform our users of products and services that may be of interest to them. We may also share this information with our advertising clients for those who have granted us permission to share their information with third parties. In addition, we also use "cookies" in our websites and engage in various online behavioral advertising practices. Governments in various jurisdictions, including the United States and the European Union, have adopted or proposed limitations on the collection, distribution and use of personal information of Internet users. In addition, growing public concern about privacy, data security, the use of "cookies", and online behavioral advertising practices, has led to or may result in increased legal and governmental regulation, and/or self-regulation of these practices by the Internet advertising and direct marketing industry. Because many of the proposed laws or regulations are in their early stages, we cannot yet determine the impact these regulations may have on our business and financial condition over time. Although, to date, our efforts to comply with applicable laws and regulations have not hurt our business and financial condition, additional or more burdensome laws or regulations, including consumer privacy and data security laws, could be enacted or applied to us or our customers. Such laws or regulations could impair our ability to collect user information that helps us to provide more targeted advertising to our users, thereby impairing our ability to maintain and grow our audience and maximize advertising revenue from our advertising clients.

Customer or user concerns regarding Internet security or fraud may deter the use of our online products and services.

Widely publicized security breaches or fraud involving the Internet or online services generally, or our failure to prevent security breaches or fraud by our customers or users, or "phishing" activities by third parties who masquerade as us, or as our customers or users, in an attempt to obtain personal data from our other customers or users, or computer malware, viruses or hacking activities occurring on or through the Internet or our systems, may harm our reputation and cause our current and potential customers and users not to use our products and services, thereby adversely affecting our revenues. We may be required to incur additional costs to protect against security breaches and fraud, or to alleviate problems caused thereby. Our business and financial success depends on our reputation and our customers' and users' confidence in the security of our products and services and our anti-fraud measures.

Foreign exchange rate fluctuations may have a material impact on our operating results, revenues, and profits.

Because we operate internationally and report our operating results, revenues and profits in United States Dollars ("U.S. Dollars"), foreign exchange rate fluctuations, especially in the RMB and other Asian currencies, may have a material impact on our operating results.

The RMB has strengthened during the last few years against the U.S. Dollar. Although we bill in RMB and have expenses in RMB in mainland China, if the RMB appreciates further, our current and potential supplier customers may become less competitive with suppliers from other regions, leading to less demand for our advertising services.

In addition, we have investments in operations and commercial properties in mainland China, the net assets of which are exposed to foreign currency translation risks. Further, we have significant amounts of deposits denominated in RMB, which are kept with commercial banks located in Hong Kong, and which are exposed to foreign currency fluctuation risks.

To the extent significant currency fluctuations occur in the RMB and other Asian currencies, our financial condition and results of our operations may be adversely affected.

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

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

In the past years, global business-to-business print advertising has significantly declined which has led to a decrease in our print advertising revenue. Print advertising is generally facing many challenges and may continue to decline and not recover. The growth in alternative forms of media, such as the internet, has increased the competition for advertising dollars, which in turn could reduce the levels of expenditures for magazine advertising or suppress magazine advertising rates. Our customers may decide to use less print advertising as part of their overall marketing campaigns and the rates we charge for print advertising may decline, thereby adversely affecting our revenue.

The successful operation of our business depends significantly on the quality, performance and reliability of the telecommunications and Internet infrastructure globally, and especially in mainland China and the Asia-Pacific region, where we derive most of our revenue and where the vast majority of our sales representatives are located.

We derived approximately 46% of our revenue from Internet-related services in 2013 and poor performance or failures of the telecommunications and internet infrastructure anywhere in the world could negatively impact our business.

We are likely to continue to derive the majority of our Internet-based marketplace business and revenues from mainland China and the Asia-Pacific region.

The quality, performance and reliability of some of the telecommunications and Internet infrastructure and telephone line availability in mainland China and many other countries in the Asia-Pacific region could fail and/or become unreliable.

In mainland China, almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the government authorities. In addition, the national networks are connected to the Internet through international gateways controlled by the mainland China government. These international gateways are the only channels through which a mainland China user can connect to the Internet. We cannot assure that a more sophisticated or flexible Internet infrastructure will be developed in mainland China. Our mainland China users may not have access to alternative networks in the event of disruptions, failures or other problems with mainland China's Internet infrastructure. Furthermore, the Internet infrastructure in mainland China may not support the demands associated with continued growth in Internet usage.

These issues and problems may contribute to lower than expected adoption of many of our services and may cause our growth and revenues to fall below expectations, or we may have to incur significant costs to address or mitigate them, thereby adversely affecting our profitability.

Outbreaks of H1N1, avian influenza, Severe Acute Respiratory Syndrome ("SARS") or other widespread public health problems could adversely affect our business and financial condition.

In the event of future outbreaks of H1N1, avian influenza, SARS or other widespread public health problems, some ways in which our business and financial condition might be adversely affected could include the following:

- quarantine or travel restrictions (whether required by government or public health authorities, or self-imposed) could result in the closure of some of our offices and other disruptions to our operations;



- sickness or death of our key officers and employees;
- a general slowdown in international trade and the global economy;
  - our trade shows may have to be cancelled; and
- exhibitor and visitor participation at our trade shows could be significantly curtailed or otherwise adversely affected.

Climate change and other environment-related regulations in supply markets and overseas demand markets could increase the costs of certain groups of our supplier and/or buyer community, or otherwise harm their business or financial viability. As a result, they may reduce or cease their usage of our services, thereby adversely affecting our revenue.

In many jurisdictions, there is a growing trend of increasing concerns, and legal, regulatory, political and policy developments, in the area of climate change and other environmental issues. These may discourage, or may involve the imposition of certain prohibitions, restrictions, standards, levies and/or taxes in respect of, certain types of manufacturing processes, products and/or imports, which may in turn increase the costs of affected manufacturers, suppliers, exporters, buyers and/or importers or otherwise harm their business or financial viability. Those of our supplier and/or buyer community who are so affected may consequently reduce or cease their usage of our services, in which case our revenue would be adversely affected.

### Company Risks

Online advertising rates in our sectors have declined over the past few years, and if we are not able to slow or reverse this trend or to substantially grow the total number of customers using our services, our operating results and financial condition could be adversely affected.

The marketing and pricing decisions of our competitors strongly influence our business and therefore affect our financial condition. For example, in mainland China, online advertising rates in our sectors have declined over the past few years. If online advertising rates continue to decline, if customers choose lower value packages, or if we are unable to make up for such declines by growing our customer base, our business and financial condition could suffer.

If our current and potential customers are not willing to renew and adopt our services, we may not attract and retain a critical mass of customers, our business may not be successful, and our financial condition could be adversely affected.

Our services will be attractive to suppliers only if buyers use our services to identify suppliers and purchase their products. The content, products and suppliers currently available through our various media, or made available by suppliers, may not be sufficient to attract and retain buyers as users of our services. In addition, customers for our core export marketing services may reduce their focus on exports and shift more of their focus and marketing on the mainland China domestic market, where our products and services are generally less developed and extensive.

If buyers and suppliers do not accept our media and services, or if we are unable to attract and retain a critical mass of buyers and suppliers for our media and services, our business will suffer and our revenues may decrease.

Generally, suppliers' advertising contracts with us for our online and print media are for 6 to 24 months in duration, while most booth contracts are for China Sourcing Fairs that will be held within the next 24 months. A significant percentage of our customers do not renew their contracts and we experience high customer turnover from year to year. If we cannot replace non-renewing customers with new customers, our business and financial condition could be adversely affected.

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

Our industry is rapidly adopting new technologies and standards to create and satisfy the demands of users and advertisers. It is critical that we continue to innovate by anticipating and adapting to these changes to ensure that our

content-delivery platforms and services remain effective and interesting to our users, advertisers and partners. In addition, we may discover that we must make significant expenditures to achieve these goals. If we fail to accomplish these goals, we may lose users and the advertisers that seek to reach those users, which could harm our operating results and financial condition.

We may not be successful in identifying, financing, consummating and/or effectively integrating acquisitions, joint ventures or strategic alliances, in order to expand our business. In such event, our operating results and financial condition could be adversely affected.

We are regularly evaluating potential strategic acquisitions, joint ventures, alliances or other investments, or other opportunities for growth. We believe that these are key components of our business strategy. However, we may not be successful in identifying such opportunities, or we may not be able to negotiate satisfactory terms or consummate them successfully, or we may not have sufficient access to capital to enter into or to take advantage of them. In these circumstances, our growth potential, competitiveness and/or business success, and therefore our financial condition, may be harmed.

If we do identify and consummate such opportunities, there is still a risk that we may not be able to integrate any new businesses, products or technologies into our existing business and operations, or to manage our relationships with our joint venture or alliance partners successfully. Alternatively, even if we are successful in doing so, we may not achieve expected results, or we may not realize other expected benefits. In such circumstances, our financial condition could be adversely affected.

In order to finance such opportunities, we may use equity securities, debt, cash, or a combination of the foregoing. Any issuance of equity securities or securities convertible into equity may result in substantial dilution to our existing shareholders, reduce the market price of our common shares, or both. Any debt financing is likely to have financial and other covenants based on our performance, results or other conditions, and there could be an adverse impact on us if we do not observe, maintain, achieve or comply with applicable financial covenants, such as minimum performance results, or other conditions. In addition, the related increases in expenses could adversely affect our operating results and financial condition.

We may be required to record an impairment charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required to test goodwill for impairment at least annually and to review our amortizable intangible assets for impairment whenever events or changes in circumstance indicate that the carrying amounts may not be recoverable. The carrying amounts of goodwill and intangible assets as of December 31, 2013 were approximately \$2.5 million and \$18.9 million respectively. During the year ended December 31, 2013, we recorded an impairment charge of \$8.5 million on goodwill and intangible assets relating to one of our investments relating to our FashionSZshow exhibition business. Significant adverse changes in the business climate, or economic, competitive and other factors, may affect the value of goodwill and identifiable intangible assets. If any of these factors impair the value of these assets, accounting rules would require that we reduce their carrying value and recognize an impairment charge, which would reduce our reported assets and earnings in the year in which the impairment charge is recognized.

There are various factors that could adversely affect our ability to operate our China Sourcing Fair trade show businesses successfully and profitably.

We expect that a significant portion of our future revenues will continue to be derived from our trade show business and in 2014 we are scheduled to hold nearly 50 trade shows. Our China Sourcing Fairs attract exhibitors from Greater China and the rest of Asia, and attendees from all over the world, and represent the great majority of our trade show business.

In 2013, a majority of our exhibitions revenue was derived from our China Sourcing Fairs, which contributed substantially to our success. The first China Sourcing Fair was held in Shanghai (China) in 2003, and the first of our series of China Sourcing Fairs in Hong Kong (China) was launched in April 2006. Our China Sourcing Fairs have since been expanded to Johannesburg (South Africa), Miami (the United States) and Sao Paulo (Brazil).

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

Also, because of the complexities, competition and uncertainties associated with the expansion of our shows into new categories and locations, we may not achieve our desired sales objectives. Furthermore, in order to implement our trade show growth strategy and/or to cope with the scope or speed of expansion of our trade shows, our management, personnel and other resources may be strained and/or we may have to continue hiring additional personnel and incurring additional expenditures. In addition, our new or expanded trade show initiatives may erode the customer base of our own other pre-existing trade shows. If we are unable or fail to manage these issues and execute the operations appropriately and effectively, it would jeopardize our ability to be successful in the trade show business and adversely affect our financial condition.

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

We rely heavily on cooperation with various government bodies, trade associations and other relevant parties for marketing and selling booths to exhibitors. The availability of government subsidies to exhibitors in some jurisdictions (e.g. mainland China) is also a significant factor in attracting exhibitors to our trade shows. If we fail to achieve such cooperation or if such cooperation is unsuccessful, or if government subsidies are not available or granted or are withdrawn, the success of our trade show business could be jeopardized, and our operating results and financial condition may be adversely affected.

Our China Sourcing Fairs businesses also require us to make substantial non-refundable deposits and progress payments to secure desirable venues and dates far in advance of conducting the trade show. The market for desirable dates and locations is often highly competitive and critical to the success of the show. If we cannot secure desirable dates and locations for our trade shows, their profitability and future prospects would suffer, and our financial condition and operating results would be materially and adversely affected.

Several other factors could also negatively affect our financial performance in this business, including:

- natural catastrophes, labor strikes and transportation shutdowns;
- the spread of H1N1, avian influenza, SARS and other similar epidemics;
  - political instability and the threat of terrorist attacks;
- conflicting and/or changing legal and regulatory requirements;
- changing and/or adverse governmental policies and actions;
  - decrease in demand for booth space;
- we may not always be able to obtain the required trade show licenses (where applicable), which may limit the number of trade shows we are able to hold;
  - our sales representative companies' inability to effectively expand their staff and infrastructure;
  - inability to renew our venue contracts on favorable terms or at desired times;

- a slowdown in product demand from outlet markets; and
- sudden closure of event venue sites due to unforeseen circumstances.

In view of the various risks outlined above, we can give no assurances that our operation of the trade show business will be instrumental to our success or that our financial condition will not be adversely affected.

Our China Sourcing Fairs in Hong Kong face various competitive threats that may adversely affect their success, profitability and viability.

There are substantial and long-established trade shows in Hong Kong and southern mainland China which compete with our China Sourcing Fairs in Hong Kong, and which now have access to expanded venue space. Many of these competing trade show events and/or venues are owned and/or organized by, and/or sponsored, funded, endorsed and/or otherwise strongly supported by, governmental or statutory bodies, who may continue to further develop and/or expand such trade show events and/or venues in competition with ours or engage in other competitive actions. For example, the Hong Kong Trade Development Council (“HKTDC”), a government-subsidized statutory body and the largest trade show organizer in Hong Kong, competes aggressively with our China Sourcing Fairs at the AsiaWorld-Expo exhibition venue in Hong Kong. The HKTDC is also a co-owner of the Hong Kong Convention and Exhibition Centre (“HKCEC”), and is able to secure and has secured most of the favorable exhibition venue time-slots at the HKCEC for the HKTDC’s own trade shows. The HKCEC was recently expanded, and the HKTDC and the HKCEC (as well as other exhibition organizers and trade associations) have from time to time been pressing the Hong Kong government to consider supporting a further expansion (“Phase 3”) of the HKCEC. There have also been some industry and political pressures for more large-scale convention and exhibition centers to be built in Hong Kong. As a result of such developments, and especially if HKCEC Phase 3 proceeds or other exhibition venues are built, our overall competitiveness may be harmed, we may not be able to attract the desired quantity and quality of exhibitors and buyers to our trade shows, and the viability of our trade show business may be jeopardized.

The long-term growth and viability of our China Sourcing Fairs in Hong Kong depend significantly on the continued or improved attractiveness of the AsiaWorld-Expo exhibition venue (at which they are held) to exhibitors and buyers. If the economic, transportation, urban, tourism and other infrastructures and developments surrounding the AsiaWorld-Expo (which is located near the Hong Kong International Airport) are not further planned, built, improved and implemented appropriately or at all, and we are unable to secure bookings at and switch to other more attractive alternative exhibition venues for our Hong Kong trade shows, the overall competitiveness and viability of our trade show business may be jeopardized.

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

The loss of one or more of our executive officers could harm our business and financial condition.

Our growth and success depend significantly on the continued services of our executive officers and other key members of our management. The loss of their services and/or that of other key executives, including our executive chairman, chief executive officer, chief financial officer, chief operating officer and chief information officer, or senior management personnel of our acquired subsidiaries, or significant changes in our executive management team, whether as a result of resignation, service termination, retirement, succession planning or otherwise, may be disruptive



to our business and operations and/or could jeopardize the success and viability of our business and financial condition. If competitors hire our key personnel, it could allow them to compete more effectively by diverting customers from us and facilitating more rapid development of their competitive offerings.

We may not be able to attract, hire and retain qualified personnel cost-effectively, which could impact the quality of our content and services and the effectiveness and efficiency of our management, resulting in increased costs and jeopardizing the success and viability of our business and financial condition.

Our success depends on our ability to attract, hire and retain at commercially reasonable rates, qualified technical, sales support management, marketing, customer support, financial and accounting, legal and other managerial

personnel. The competition for personnel in the industries in which we operate is intense. Our personnel may terminate their employment at any time for any reason. Loss of personnel may also result in increased costs for replacement hiring and training. If we fail to attract and hire new personnel or retain and motivate our current personnel, we may not be able to operate our businesses effectively or efficiently, serve our customers properly, or maintain the quality of our content and services. If this were to occur, our financial condition could be adversely affected.

We rely heavily on independent sales representative companies for the sales and marketing of our products and services. If we lose the services of these sales representative companies or their employees, or if they perform poorly, or if we fail to effectively manage our relationship with them, our business and revenues could be harmed.

We have agreements with various independent sales representative companies, whom we rely heavily upon for the sales and marketing of our products and services. Eight main sales representative companies in mainland China were responsible for approximately 74% of our total revenues for the year ended December 31, 2013. These independent sales representatives collect cash from our customers on our behalf and deposit such collections into designated bank accounts owned by them whereby, for managing the credit risks, our senior employees are the authorized signatories to withdraw cash from such bank accounts in China. Generally, either we or the sales representative companies may terminate the service agreement between them and us upon short notice. It is possible that we may not retain some of our sales representative companies, or they may not retain some of their sales personnel (due to competition from other companies in hiring and retaining sales personnel) or be able to replace them with equally qualified personnel. Furthermore, if a sales representative company terminates its agreement with us, some of our customers with a direct relationship with that sales representative company or its personnel may terminate their relationship with us. Although these sales representative companies and their employees are independent from us, there can be no assurance that our reputation and our business, and our financial condition, will not be harmed by their acts or omissions. If sufficient numbers of employees are not recruited, or properly trained, integrated, motivated, retained and managed, by these sales representative companies, or if they or their employees perform poorly or fraudulently, or otherwise fail to perform their roles and responsibilities adequately, appropriately or as required, or if our relationships with these sales representative companies fail or deteriorate or we are otherwise unable or unsuccessful in effectively managing our relationship with them, our business and revenues may be harmed. In addition, although we have long standing relationships with a majority of these independent sales representatives, for whom there is no recent history of default in transferring client payments received by them to us, if any of these sales representatives go bankrupt or otherwise fail to transfer such moneys to our own bank accounts, we could be exposed to credit risk.

Our lengthy sales and implementation cycle could cause delays in concluding sales contracts with customers, thereby adversely affecting our business objectives and success, and therefore our financial condition.

The period between our initial contact with a potential customer and the purchase of our products and services is often long and unpredictable and may have delays associated with the lengthy budgeting and approval processes of our customers. This lengthy sales and implementation cycle may affect our ability to estimate our revenue in future quarters and could cause delays in the conclusion of sales contracts with customers, thereby adversely affecting our business objectives and success, and therefore our financial condition.

Our plans to expand into the mainland China domestic business-to-business market may fail or underperform.

We have various media properties serving the mainland China domestic market and we intend to grow this, in particular by adding online services and trade shows. We are generally less competitive in this market than the export market and may not be successful. Competition is intense and price points tend to be very low, which may adversely

affect the success of our plans to expand into the mainland China domestic business-to-business market.

We could be subject to additional income tax liabilities.

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in evaluating our worldwide provision for income taxes. During the ordinary course of business, there are many transactions for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates; by changes in the valuation of our deferred tax assets and liabilities; or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. We are subject to potential or actual tax reviews in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax estimates are reasonable, the final determination of such tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of a tax audit or related litigation could have a material adverse effect on our operating results or cash flows.

The failure of or security breaches to our computer systems, network and communications hardware and software could materially and adversely affect our business, operating results and financial condition.

Our business depends on the high availability, good performance and strong security of our computer systems, network, and associated hardware and software. Any system interruptions, poor performance or security breaches impacting on Global Sources Online or any of our online sites may drive buyers and other registered users away and reduce the attractiveness of these sites to advertisers, therefore adversely affecting our business, operating results and financial condition.

We host our key customer-facing computer systems with major Internet Service Providers (ISPs) and data center facilities in Hong Kong. Interruptions to these service providers' and/or their partners' hosting services could result from natural disasters as well as catastrophic hardware failures, software problems, extended power loss, telecommunications failure and similar events. While these service providers may have their own disaster recovery capabilities and/or be able to provide us with disaster recovery facilities on request in such circumstances, nevertheless, if there is any failure, inability or delay on their part in providing such disaster recovery facilities as committed, serious and prolonged disruptions to our systems and services could result.

Although we support the integrity of our security with IDS (Intrusion Detection Systems), anti-virus and other tools as a precaution against computer malware, viruses, hackings, denial-of-service and other cyber intrusions, such security systems and programs are not completely foolproof or error-free, and new updates to deal with the latest viruses or security threats may not yet be available or may not yet have been implemented. Hence, security breaches could still occur, and we cannot give any assurances that we will always be able to prevent individuals from gaining unauthorized access to our servers. Any such unauthorized access to our database servers, including abuse by our employees, could result in the theft of confidential customer or user information contained in our database servers. If such confidential information is compromised, we could lose customers or become subject to liability or litigation and our reputation could be harmed, any of which could materially and adversely affect our business, operating results and financial condition.

We may be subject to legal liability for publishing or distributing advertisements or other content in our trade publications or websites, or at our trade shows.

We may be subject to legal claims or liabilities relating to the advertising or other content on Global Sources Online or our other websites, or the downloading and distribution of such content, as well as legal claims or liabilities arising out of the products or companies featured in our trade publications and at our trade shows. Claims or liabilities could involve matters such as: libel and defamation; negligent misstatements; false or misleading advertisements; patent, trademark, copyright, design or other intellectual property infringement; fraud; invasion of privacy; direct or indirect, or primary or secondary, liability for illegal, prohibited, restricted, controlled, unlicensed, fake, defective, poor quality, hazardous, contaminated or injurious products or substances advertised on our websites or in our publications or exhibited at our trade shows; or other legal theories, for example, based on aiding and abetting our advertisers or exhibitors in our role as a publisher, website operator or trade show organizer (for example, by allegedly facilitating or providing the means for any unlawful or infringing activities conducted through the medium of our websites or publications or at our trade shows), or based on the nature, creation or distribution of our content (for example, the use of hypertext links to other websites operated by third parties).

Media companies have been sued in the past, sometimes successfully, based on the content published or made available by them. Like many companies in our industry, we have received notices of claims based on content made available in our publications, on our website or at our trade shows. In addition, some of the content provided on

Global Sources Online is manually entered from data compiled by other parties, including governmental and commercial sources, and this data may have errors, or we may introduce errors when entering such data. If our content is improperly used or if we supply incorrect information, our users or third parties may take legal action against us. In addition, we may violate usage restrictions placed on text or data that is supplied to us by third parties. Regardless of the merit of such claims or legal actions, they could divert management time and attention away from our business, result in significant costs to investigate and defend, and damage our reputation (which could result in client cancellations or overall decreased demand for our products and services), thereby harming our business, operating results and financial condition. In addition, if we are not successful in defending against such claims or legal actions, we may be liable to pay substantial damages. Our insurance may not cover claims or legal actions of this type, or may not provide sufficient coverage.

We may be subject to legal liability for the supplier verification services that we offer to buyers.

In addition to supplier-provided information, we also offer verification services (by ourselves and/or through third parties whom we engage) to buyers in respect of certain data from certain of our supplier customers. These verification services include: verification of some of a supplier's company and business details; supplier credit profiles and credit reports; and supplier capability assessment. We may be subject to legal claims and actions for any inaccurate, erroneous, incomplete or misleading information provided in connection with such verification services. While we may have liability disclaimers associated with such verification services, such liability disclaimers may nevertheless be insufficient to deter a complainant from attempting to raise a claim or to institute legal action against us, or may be held by a court to be invalid or unenforceable. As for those verification services which are not provided directly by us but by third parties engaged by us, a complainant may nevertheless attempt to hold us responsible for such third parties. Regardless of the merit of any such claims or legal actions, they could divert management time and attention away from our business, result in significant costs to investigate and defend, and damage our reputation (which could result in client cancellations or overall decreased demand for our products and services), thereby harming our business, operating results and financial condition. In addition, if we are not successful in defending against such claims or legal actions, we may be liable to pay substantial damages. Our insurance may not cover claims or legal actions of this type, or may not provide sufficient coverage.

Our intellectual property protection is limited, and others may infringe upon it, which may reduce our ability to compete and may divert our resources.

Our success and ability to compete are dependent in part upon our proprietary technology, content and information databases, the goodwill associated with our trademarks, and other intellectual property rights. We have relied on a combination of copyright, trade secret and trademark laws and non-disclosure and other contractual restrictions to protect ourselves. However, our efforts to protect our intellectual property rights may not be adequate. Although we have filed (and continue to file) applications for and have obtained registration of many of our key trademarks in various jurisdictions, we may not always be able to obtain successful registrations. Our competitors may independently develop similar technology or duplicate our software and services. If others are able to develop or use technology and/or content we have developed, our competitive position may be negatively affected.

We have in the past co-developed, and may in the future co-develop, some of our intellectual property with independent third parties. In these instances, we take all action that we believe is necessary and advisable to protect and to gain ownership of all co-developed intellectual property. However, if such third parties were to introduce similar or competing online products and services that achieve market acceptance, the success of our online services and business, operating results, financial condition and prospects may be harmed.

We cannot determine whether future patent, copyright, service mark or trademark applications, if any, will be granted. No certainty exists as to whether our current intellectual property or any future intellectual property that we may develop will be challenged, invalidated, or circumvented, or will provide us with any competitive advantages.

Litigation may be necessary to enforce our intellectual property rights, protect trade secrets, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. Intellectual property laws provide limited protection. Moreover, the laws of some foreign countries do not offer the same level of protection for intellectual property as the laws of the United States. Such laws may not always be sufficient to prevent others from copying or otherwise obtaining and using our content, technologies or trademarks. In addition, policing our intellectual property rights worldwide is a difficult task, and we may be unable to detect unauthorized use of our intellectual property or to identify infringers. Litigation may result in substantial costs and diversion of resources,

regardless of its outcome, which may limit our ability to develop new services and compete for customers.

If third parties claim that we are infringing upon their intellectual property rights, our ability to use technologies and products may be limited, and we may incur substantial costs to resolve these claims.

Litigation regarding intellectual property rights is common in the Internet and software industries. Defending against these claims could be expensive and divert our attention from operating our business. We expect third-party infringement claims involving Internet technologies and software products and services to increase. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damage awards and be forced to develop non-infringing technology, obtain a license with costly royalties or cease using the products and services that contain the infringing technology or content. We may be unable to develop non-infringing technology or content or to obtain a license on commercially reasonable terms, or at all. All of this could therefore have a material adverse effect on our business, operating results and financial condition.

We may not have, in all cases, conducted formal or comprehensive investigations or evaluations to confirm that our content and trademarks do not or will not infringe upon the intellectual property rights of third parties. As a result, we cannot be certain that we do not or will not infringe upon the intellectual property rights of third parties. If we are found to have infringed a third party's intellectual property rights, the value of our brands and our business reputation could be impaired, and our business and financial condition could suffer.

The commercial real estate properties which we own in mainland China constitute a substantial portion of our assets, and there are legal ownership risks associated with these properties, given the fact that the interpretation of mainland China laws and regulations involves uncertainty.

The mainland China legal system is based on written statutes, and prior court decisions can only be used as a reference. For some time now, the mainland China government has been promulgating laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of mainland Chinese laws and regulations involves a degree of uncertainty. Some of these laws may be changed without being immediately published or may be amended with retroactive effect. In addition, any litigation in mainland China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under its permits, and other statutory and contractual rights and interests relating to the commercial real estate properties which we own in mainland China and which constitute a substantial portion of our assets.

The value of our commercial properties in mainland China, Hong Kong and Singapore may fall below the carrying value, requiring us to recognize an impairment charge; or we may not be able to fully rent out any excess unutilized space in our investment properties.

We own commercial properties in Shenzhen's new commercial business district, which are equivalent in standard to "Grade A" private office premises in Hong Kong ("Grade A" private office premises in Hong Kong are defined by the Hong Kong Rating and Valuation Department and generally understood by the Hong Kong property market to mean premises situated in buildings designed for commercial purposes which are modern with high quality finishes; have a flexible layout; have large floor plates; have spacious, well decorated lobbies and circulation areas; have effective central air-conditioning; have good lift services zoned for passengers and goods deliveries; have professional management; and have parking facilities normally available). In addition, we own commercial properties in Hong Kong, Shanghai and Singapore.



The total carrying amount of our Shenzhen, Shanghai and Hong Kong properties was approximately \$134.5 million, and their total market value was approximately \$229.4 million as of December 31, 2013. We also recently completed the acquisition of our Singapore property in February 2014 for a total purchase price of approximately \$13.1 million. However, real estate markets are cyclical and valuation year-on-year is uncertain, given global- and country-specific demand and supply drivers. As a result, we may not be able to recover the carrying value of our properties, which may require us to recognize an impairment charge in future earnings.

If and to the extent we are unable to fully rent out and generate rental income from any excess unutilized space in our investment properties, our operating results may be adversely affected thereby.

Apart from the U.S. treasury bills which we hold, a significant portion of our cash and cash equivalents are held as cash deposits with various banks. In the event of an insolvency of such banks, we may not be able to recover our cash from them in full or in part, or there may be prolonged delays in such recovery.

A significant portion of our cash and cash equivalents are held as cash deposits with various commercial banks. A majority of such balances are held in banks located outside mainland China. Although we have not recognized any losses to date on our cash and cash equivalents, in the event of an insolvency of such banks, we may not be able to recover our cash from them in full or in part, or there may be prolonged delays in such recovery. This could materially adversely affect the value or liquidity of our cash and cash equivalents and result in an impairment, which could materially adversely affect our financial condition and operating results.

The failure of outside parties to meet committed service levels and information accuracy expectations may make our services less attractive to customers and harm our business and financial condition.

We rely on outside parties for some information, licenses, product delivery, telecommunications and technology products and services. We rely on relationships and/or contractual agreements with software developers and providers, systems integrators and other technology or telecommunications firms to support, enhance and develop our products and services.

Although we have contracts with technology providers to enhance, expand, manage and maintain our computer and communications equipment and software, these service providers may not provide acceptable services. Services provided by third parties include providing application licenses, hosting our Global Sources Online servers and database, maintaining our communications and managing the network and data centers which we rely on for the provision of our services. These relationships may not continue or may not be available on the same commercial terms in the future, which could cause customer dissatisfaction and/or a delay in the launch of new software or services.

We license some components of our technology from third parties. These licenses may not be available to us on the same commercial terms in the future. The loss of these licenses could delay the release or enhancement of our services until equivalent technology could be licensed, developed, or otherwise obtained. Any such delay could have a material adverse effect on our business and financial condition. These factors may deter customers from using our services, damage our business reputation, cause us to lose current customers, and harm our ability to attract new customers, thereby adversely affecting our financial condition.

We have no direct control over the accuracy, timeliness, or effectiveness of the information, products and services or performances of these outside parties. As a result of outside party actions, we may fail to provide accurate, complete and current information about customers and their products in a timely manner and to deliver information to buyers and/or other registered users in a satisfactory manner.

Our inability to maintain or acquire effective Internet domain names could adversely impact our online business.

If we are not able to prevent third parties from acquiring Internet domain names that are similar to the various Internet domain names that we own, third parties could create confusion that diverts traffic to other websites away from our online services, thereby adversely affecting our business and financial condition. Furthermore, if we are unable to acquire the preferred or appropriate Internet domain names that we may wish to use for any new or additional websites that we may wish to launch from time to time (for example, if such Internet domain names are already registered by third parties), the timing, scale or effectiveness of our launch efforts could be adversely impacted.

The acquisition and maintenance of Internet domain names generally are regulated by governmental agencies. The regulation of Internet domain names in the United States and in foreign countries is subject to change. As a result, we may not be able to acquire or maintain relevant Internet domain names. Furthermore, the relationship between regulations governing such addresses and laws protecting proprietary rights is unclear.

Should our directors or officers incur personal liabilities in connection with the performance of their duties, such liabilities could be substantial. Our insurance coverage for such directors' or officers' liabilities may be inadequate, and we may have to indemnify them (if, and to the extent, applicable and permissible) out of our own funds.

Our insurance coverage for the potential personal liabilities of our directors and officers is limited and may not be sufficient to cover the scope or extent of such liabilities. In such event, our directors and officers may have to rely in whole or in part on indemnities from out of our funds (see "Personal Liability of Directors and Indemnity" under Item 10 for a description of the personal liabilities of our directors and the indemnities by us which may be available to our directors and officers). If and to the extent such indemnities are applicable and permissible, they could be substantial.

We may be required to record an impairment charge on our accounts receivables, if we are unable to collect the outstanding balances from our customers.

We generally collect our fees in advance from customers in markets with higher risk. We have a large number of customers and no individual customer represents more than 10% of our accounts receivables. We estimate the collectability of our accounts receivables based on our analysis of the accounts receivables, historical bad debts, customer creditworthiness and current economic trends. We continuously monitor collections from our customers and maintain adequate impairment allowance for doubtful accounts. However, while credit losses have historically been within our expectations and the allowances we established, if the bad debts significantly exceed our impairment allowance, our operating results and liquidity could be adversely affected.

#### Investment Risks

Our quarterly operating results may have seasonal fluctuations and as a result, we may fail to meet analyst, investor and shareholder expectations.

We typically experience seasonal quarter-to-quarter fluctuations in our revenue. Currently, most of our largest trade shows are expected to be held in the second quarter and fourth quarter of each year. The net result of the above seasonality is that second and fourth quarter revenues are likely to be substantially higher than the first and third quarter revenues. In 2013, approximately 31% of our revenue was generated during the second quarter and approximately 30% during the fourth quarter. The first quarter accounted for approximately 16% of our revenue in 2013 and the third quarter accounted for approximately 23% of our revenue in 2013. In addition, certain expenses associated with future revenues are likely to be incurred in the preceding quarters, which may cause profitability to be lower in those preceding quarters. Also, because event revenue is recognized when a particular event is held, we may also experience fluctuations in quarterly revenue based on the movement of annual trade show dates from one quarter to another. As a result of seasonal fluctuations in our quarterly operating results, we may fail to meet analyst, investor and shareholder expectations.

Our share prices may fluctuate in response to a number of events and factors.

Our share price may fluctuate in response to a number of events and factors such as quarterly variations in operating results; announcements of new services or pricing options by us or our competitors; changes in financial estimates and recommendations by securities analysts; failure to meet our financial guidance and/or the financial forecasts of analysts; the operating and share price performance of other companies that investors may deem comparable; news reports relating to trends in the Internet and information technology industry; reports, articles, commentaries, blogs or online postings about us by analysts, short sellers, our competitors, our customers, our users and/or others; announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital

commitments; or changes in laws or regulations in the countries in which we operate.

There is a limited public market for our shares and the trading volume for our shares is low, which may limit your ability to sell your shares or purchase more shares.

As of February 28, 2014, we had approximately 919 registered shareholders, and a total of 34,722,691 outstanding common shares, out of which approximately 15,348,438 outstanding common shares were tradable on the NASDAQ Global Select Market (“NASDAQ”).

Because of the small number of shareholders and the small number of publicly tradable shares, we cannot be sure that an active trading market will develop or be sustained or that you will be able to sell or buy common shares when you want to. As a result, it may be difficult to make purchases or sales of our common shares in the market at any particular time or in any significant quantity. If our shareholders sell our common shares in the public market, the market price of our common shares may fall. In addition, such sales may create the perception by the public of difficulties or problems with our products and services or management. As a result, these sales may make it more difficult for us to sell equity or equity-related securities in the future at a time or price that is appropriate.

Sales of our common shares by our major shareholders could depress the price of the common shares.

Sales of common shares by our major shareholders could adversely affect the prevailing market price of the common shares. As of February 28, 2014, we had 34,722,691 common shares outstanding, out of which at least 16,882,564 common shares outstanding are beneficially owned by people who may be deemed “affiliates”, as defined by Rule 405 of the Act. Of these 16,882,564 shares, 14,825,126 shares are “restricted securities” which can be resold in the public market only if registered with the Securities and Exchange Commission or pursuant to an exemption from registration.

We cannot predict what effect, if any, that the sales of such restricted shares or the availability of shares for sale, will have on the market price of the common shares from time to time. Sales of substantial amounts of common shares in the public market, or the perception that such sales could occur, could adversely affect prevailing market prices for the common shares and could impair our ability to raise additional capital through an offering of our equity securities.

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

As of February 28, 2014, Mr. Merle Allan Hinrich beneficially owned approximately 42.55% of our total outstanding common shares, and may be deemed to be the beneficial owner of up to 46.93% of our total outstanding common shares (as described in Item 7 below). Mr. Hinrich is also our Executive Chairman. Accordingly, Mr. Hinrich has substantial voting influence over the election of our directors, the appointment of new management and the opposition of actions requiring shareholder approval, such as adopting amendments to our articles of incorporation and approving mergers or sales of all or substantially all of our assets. Such concentration of ownership and substantial voting influence may have the effect of delaying or preventing a change of control, even if a change of control is in the best interest of all shareholders. There may be instances in which the interest of our major shareholder may conflict or be perceived as being in conflict with the interest of a holder of our securities or the interest of the company.

Because we are governed by Bermuda law rather than the laws of the United States and our assets are outside of the United States, our shareholders may have more difficulty protecting their rights because of differences in the laws of the jurisdictions.

We are incorporated under the laws of Bermuda. In addition, certain of our directors and officers reside outside the United States and a substantial portion of our assets is located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to realize against them judgments of courts of the United States predicated upon civil liabilities under the United States federal securities laws. We have been advised by our legal counsel in Bermuda, Appleby, that there is some uncertainty as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon U.S. federal securities laws, although final and conclusive judgments of the United States under which a sum of money is payable (not being a sum of money payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Protection of

Trading Interests Act 1981 of Bermuda) would be enforced by the Supreme Court of Bermuda as a debt against our company, subject to certain conditions and exceptions.

We are a “foreign private issuer,” and have disclosure obligations that are different than those of other U.S. domestic reporting companies, so you should not expect to receive information about us in the same amount and/or at the same time as information received from, or provided by, U.S. domestic reporting companies.

We are a foreign private issuer and, as a result, we are not subject to some of the requirements imposed upon U.S. domestic issuers by the SEC. For example, we are not required to issue quarterly reports or file proxy statements to the SEC, and we and our directors and executive officers are not subject to certain disclosure obligations that would otherwise be required from U.S. domestic issuers.

Hence, our shareholders, potential shareholders and the investing public in general, should not expect to receive information about us in the same amount and/or at the same time as information received from, or provided by, U.S. domestic reporting companies.

U.S. persons that hold our common shares could be subject to material adverse U.S. federal income tax consequences if we were considered to be a PFIC for any taxable year.

A non-U.S. corporation generally will be a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying the relevant look-through rules with respect to the income and assets of its subsidiaries, either (i) 75% or more of its gross income is “passive income” (generally including (without limitation) dividends, interest, annuities and certain royalties and rents not derived in the active conduct of a business) or (ii) the average value of its assets that produce passive income or are held for the production of passive income is at least 50% of the total value of its assets.

Although the application of the PFIC rules is unclear, there is a risk that we could be treated as having become a PFIC in a prior year, and there can be no assurance that we will not be considered a PFIC for the current year or any subsequent year. A U.S. person that holds our common shares should consult its own tax advisor regarding possible adverse tax consequences to such person if we are considered to be a PFIC.

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

Our bye-laws contain provisions that may have the effect of delaying, deferring or preventing a change in control or the displacement of our management. These provisions may discourage proxy contests and make it more difficult for the shareholders to elect directors and take other corporate actions. These provisions may also limit the price that investors might be willing to pay in the future for our common shares. These provisions include:

- providing for a staggered Board of Directors, so that it would take three successive annual general meetings to replace all directors;
  - requiring the approval of 100% of shareholders for shareholder action by written consent;
- establishing advance notice requirements for submitting nominations for election to the Board of Directors and for proposing matters that may be acted upon by shareholders at a general meeting; and
- restricting business combinations with any interested shareholder that have not been approved by at least two-thirds of the holders of our voting shares (other than shares held by that interested shareholder or any affiliate or associate of such interested shareholder), voting together as a single class, or by a simple majority if the business combination is approved by a majority of the continuing directors or if certain prescribed conditions are met assuming that we will receive fair market value in exchange for such business combination. In this context, a “business combination” includes, among others, (i) any mergers, (ii) any asset sales and other material transactions resulting in a benefit to the interested shareholder or any of its affiliates or associates or (iii) the adoption of a plan for our liquidation or dissolution; an “affiliate” or an “associate” have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”); a “continuing director” is a member of our Board of Directors that is not an



affiliate or associate or representative of an interested shareholder and was a member of our board prior to such person becoming an interested shareholder; and an “interested shareholder” is any person (other than us or any of our subsidiaries, or any employee benefit or other similar plan, or any of our shareholders who owned shares 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.

While we believe that we currently have adequate internal control procedures in place, we are still exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act of 2002.

Under the supervision and with the participation of our management, we have evaluated our internal controls systems in order to allow management to report on, and our registered independent public accounting firm to attest to, our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. We have performed the system and process evaluation and testing required in an effort to comply with the management certification and auditor attestation requirements of Section 404. As a result, we have incurred additional expenses and a diversion of management's time. If we are not able to continue to meet the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or by NASDAQ. Any such action could adversely affect our financial results and the market price of our shares.

#### ITEM 4. INFORMATION ON THE COMPANY

##### History and Development of the Company

We are a leading facilitator of global merchandise trade. Our business began in 1971 in Hong Kong when we launched Asian Sources, a trade magazine to serve global buyers importing products in volume from Asia. Today, we are one of Asia's leading providers of trade information using online media, print media and face-to-face events, meeting the marketing and sourcing needs of our supplier and buyer communities.

The core business uses English-language media to facilitate trade from Greater China (which includes mainland China, Hong Kong and Taiwan) to the world. The other business segment utilizes Chinese-language media to enable companies to sell to, and within, Greater China.

Realizing the importance of the Internet, we became one of the first providers of business-to-business online marketplace services by launching Asian Sources Online in 1995. In 1999, we changed the name of Asian Sources Online to Global Sources Online.

We originally were incorporated under the laws of Hong Kong in 1970. In April 2000, we completed a share exchange with a publicly traded company based in Bermuda, and our shareholders became the majority shareholders of the Bermuda corporation. As a result of the share exchange, we became incorporated under the laws of Bermuda and changed our name to Global Sources Ltd. Our capital expenditures during the years ended December 31, 2013, 2012 and 2011 amounted to \$27.0 million, \$1.4 million and \$56.7 million, respectively. For 2013, such expenditures were incurred mainly for purchase of office premises in Hong Kong, computers, software, office equipment and leasehold improvements. For 2012, such expenditures were incurred mainly for purchase of computers, software, office equipment and leasehold improvements. For 2011, such expenditures were incurred mainly for purchase of office premises in mainland China, leasehold improvements, office furniture, computers and software. Our capital expenditures were financed using cash generated from our operations. The net book value of capital assets disposed and written off during the years ended December 31, 2013, 2012 and 2011 amounted to \$12.6 million, \$0.048 million and \$0.029 million respectively. In January 2014, we entered into an agreement for the purchase of office space in Singapore which was completed in February 2014. This transaction has been discussed in detail under "Properties" of this Item 4.

Our primary operating offices are located in Shenzhen, China; Shanghai, China; Hong Kong, China; and Singapore. Our registered office is located at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda, and our telephone

number at that address is (441) 295-2244. Our website address is <http://www.globalsources.com>. Information contained on our website or available through our website is not incorporated by reference into this document and should not be considered a part of this document.

#### Business Overview

We are a leading business-to-business (“B2B”) media company that provides information and integrated marketing services, with a particular focus on the Greater China market. Our mission is to facilitate global trade between buyers and suppliers by providing export marketing services and sourcing information. Although our range of media has grown, for 43 years we have been in the same primary business of helping buyers worldwide find products and suppliers in Asia.

Buyers rely on our media to find products and suppliers, and to stay current with supply market conditions. Suppliers use our media to find new buyers and markets for their products. We believe we offer the most extensive range of media and export marketing services in the industries we serve. Suppliers using our three primary channels – online marketplaces, magazines and trade shows – are supported by our advertising creative services and online content management applications.

We have a significant presence across a number of industry sectors including electronics, fashion accessories, hardware and gifts. We are particularly strong in facilitating China's two-way trade of electronics, one of China's largest import and export sectors.

As of December 31, 2013, more than 319,000 suppliers were listed on GlobalSources.com and we serve a buyer community of over 1,000,000 active members in more than 200 countries and territories.

We are diversified in terms of products and services offered, industries served, and our customer base. We have powerful and valuable assets including: the Global Sources brand; the China Sourcing Fairs brand; leading products and market positions; a strong and growing group of businesses in the China domestic market; and an extensive presence in Greater China. We believe that all of these provide a strong platform for success and that we are well-positioned in the industry segments within which we operate.

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

	Year Ended December 31,		
	2013	2012	2011
	(In U.S. Dollars Thousands)		
<b>Revenues</b>			
Online and other media services	\$ 104,629	\$ 136,101	\$ 141,475
Exhibitions	85,636	88,782	77,973
Miscellaneous	7,257	6,857	5,617
	\$ 197,522	\$ 231,740	\$ 225,065

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

	Year Ended December 31,		
	2013	2012	2011
	(In U.S. Dollars Thousands)		
<b>Revenues</b>			
China	\$ 163,107	\$ 189,648	\$ 177,563
Rest of Asia	29,891	35,603	40,011
United States	4,031	5,706	6,455
Europe	365	531	695
Others	128	252	341
	\$ 197,522	\$ 231,740	\$ 225,065

We currently generate the majority of our revenue from suppliers in Asia, with China being our largest market at approximately 83% of total revenue during 2013. Our revenue is derived from two primary sources – Online and other

media services, which represented approximately 53% of total revenue in 2013 and Exhibitions, which represented approximately 43% of total revenue in 2013.

Online and other media services. This consists of the following two primary revenue streams:

- **Online Services** – Our primary service is creating and hosting marketing websites that present suppliers’ product and company information in a consistent and easily searchable manner on GlobalSources.com. We also offer banner ads and publish digital magazines.
- **Other Media Services** – We publish printed trade magazines, which consist primarily of advertisements from suppliers and our independent editorial reports and product surveys.  
We also derive a small amount of revenue from buyers that subscribe to our trade magazines and from marketing services provided to suppliers.

**Exhibitions - Trade Shows and Seminars** – Our primary revenue stream is selling booths to suppliers. Our exhibitions offer international and domestic buyers direct access to manufacturers based in China and other Asian countries.

## Industry Background

### Global Trade and the Role of Greater China

Over the past few decades, as communications and logistics technologies have improved and as more free trade agreements have been signed, international trade has grown at a pace far exceeding the growth of overall global production. Asia, including Greater China in particular, has been a significant contributor to the growth of global trade.

China has become a major manufacturer and exporter of a wide range of products, due to its significant labor cost advantages, large population, improving quality controls and increasing amounts of foreign investment. Being admitted to the World Trade Organization in 2001 was a very important turning point for China. Membership led to a dramatic shift in global trade, with more orders flowing to China and away from traditional supply markets.

With a population that is more than 15 times as large as Hong Kong, Taiwan and South Korea combined, and with comparably more manufacturing facilities, the potential scale of China as an exporter is very substantial. China’s exporters include state-owned enterprises, joint ventures and a rapidly growing number of entrepreneurial companies.

With thousands of manufacturers spread across vast regions, and given the large distances between them and their customers, it is difficult for buyers and suppliers to identify and communicate with one another. Accordingly, buyers’ search and evaluation costs, and suppliers’ advertising and marketing expenses can be substantial.

### The Role of Media in Global Trade

In global trade, media plays a key role in helping suppliers and buyers find, connect and transact with each other. To facilitate this, media companies provide three major offerings: online marketplaces, magazines and trade shows.

For media companies doing business in Asia, the fragmentation presents significant challenges. They need to find, qualify and visit tens of thousands of suppliers and then assist them to promote their products to the global marketplace. Building a sales force to contact these suppliers is a significant undertaking and typically requires substantial financial and manpower commitments and resources. In particular, there is a huge challenge to effectively and efficiently hire, train and manage a network of sales representatives across such an immense area, where multiple jurisdictions have varying legal requirements, languages, currencies and customs.

Buyers rely on media to stay current with all available purchasing opportunities. They use the media to identify and pursue new suppliers with which they can compare both pricing and product quality with their existing suppliers. They also seek to purchase new product lines appropriate to their distribution channels. Buyers choose media based on the quality and quantity of information relevant to their interests, and on the range and flexibility of the formats and delivery methods.

Most suppliers frequently introduce new products and actively seek new buyers and markets through the use of media. Their objective is to make sure their products are seen by as many potential buyers as possible, and sold to buyers that will provide them the best price and the right order size. Suppliers select media based on the number and quality of buyers reached, and on the reputation of the medium and its cost. Also, particularly in Greater China, creative services for advertising design and English language copywriting play a significant role in media selection. Suppliers measure the return on their promotional investments by the quantity and quality of sales leads, or Requests For Information (“RFIs”), that they receive, by the branding or competitive differentiation achieved, and where possible, by the actual orders generated.

Operators of online marketplaces generate most of their business from selling marketing services to suppliers, such as publishing and hosting a supplier’s website and product catalog, and from advertising. Compared to other media, online marketplaces have the advantages of content depth and timeliness and provide a venue where suppliers can make detailed product and company information accessible to buyers.

Trade show organizers generate most of their business from selling booth space to suppliers. Trade shows play a unique role in the sales process since they allow sellers to make face-to-face presentations to buyers and to negotiate and take orders at the booths. In international trade, face-to-face interaction is viewed as vital by many buyers and is something that cannot be accomplished by online or print media.

Trade magazines offer buyers the convenience of portability while offering suppliers a proven medium that delivers a targeted audience. Magazine advertising enables suppliers to do high-impact, display advertising that can strongly position their company and their products. Such advertising can also stimulate a buyer to make an inquiry, visit the supplier’s website and/or visit the supplier’s booth at a trade show.

Many suppliers want to reach their customers and prospects in multiple ways: online, in print and face-to-face at trade shows. Suppliers use this full range of media to make sure they reach their entire target market, because of the benefits of different and more frequent exposures to buyers, and because each of the media plays a different role in the sales cycle.

#### Our Offerings

Our primary business relates to connecting buyers worldwide with suppliers in Asia (with a particular focus on Greater China) and other emerging markets. However, we also offer a range of media that facilitates selling to, and within China.

We provide a broad set of B2B media products and services to stimulate and streamline the marketing and sourcing processes of global trade. In particular, we believe that we offer the broadest and most integrated multi-channel offering to suppliers and buyers engaged in international trade with Greater China.

Buyers request information and purchase goods from suppliers who market themselves through our online services, trade magazines and trade shows. We provide information to help buyers evaluate numerous sourcing options so they can place orders with suppliers that have the most suitable capabilities and/or who offer them the best terms. We help suppliers market their products and their capabilities to our community of buyers worldwide. By receiving inquiries from a wide selection of buyers, suppliers have more opportunities to achieve the best possible terms, and to learn about the demand and specific requirements in different markets.



With the combination of our online, print and trade show offerings, supported by our creative and production services, we offer suppliers a virtual one-stop shop for most of their export marketing communications needs. Moreover, we believe that we are uniquely capable of helping suppliers create and deliver integrated marketing programs that impact all stages of the buying process – from awareness and lead generation – right through to purchase orders.

#### Media for Buyers Worldwide

#### Online Services

Through GlobalSources.com, our online marketplace and primary source of online revenue, buyers are able to identify, shortlist and make inquiries to suppliers. Our primary source of revenue is from suppliers who pay for marketing websites. Each marketing website is comprised of a home page, a company profile and a virtual showroom containing product profile pages of the supplier's products. Each product profile page contains detailed product information, specifications and full color images.

Buyers can reach a large potential supply base on GlobalSources.com by searching among, and/or making inquiries to more than 319,000 suppliers.

#### Trade Shows

Our largest shows are our China Sourcing Fairs which are held in Hong Kong each spring and fall. These shows bring buyers from around the world to meet face-to-face with suppliers. In recent years, we have added smaller versions of these shows in locations including Miami, Johannesburg, and Sao Paulo.

#### Trade Publications

We publish 19 industry-specific Global Sources trade magazines. Our trade magazines come in print and digital formats and contain paid advertisements from suppliers, as well as our independent editorial content, which includes market reports, advice for buyers, and surveys.

#### Advertising Creative Services

We offer our customers advertising and marketing creative services, which assist them in communicating their unique selling propositions and in executing integrated marketing campaigns across our online services, trade magazines and trade shows. Customer service officers and copywriters assist suppliers with creative services including digital photography of products, translation, copywriting, ad layout and quality control. Basic media and creative services are included in our media charges.

#### Sourcing Reports

We currently have more than 50 different Sourcing Reports for sale. Each Sourcing Report provides detailed, product-specific information on suppliers and supply market conditions in emerging markets in Asia that is gathered through face-to-face, phone and email interviews with senior management at factories. Revenue is derived from sales to buyers.

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

In addition to our primary media, which connect export suppliers in Asia with buyers worldwide, we are a leading provider of information to electronics engineers and executives within Asia. For this segment of our business, we have 12 online and 6 print media, trade shows for the semiconductor, optoelectronics, fashion and machinery sectors plus several other conferences and events.

#### Mission and Business Strategy

##### Mission

Global Sources' mission is to connect global buyers and suppliers by providing the right information, at the right time, in the right format.

Our key business objective is to be the preferred provider of content, services, and integrated marketing solutions that enable our customers to achieve a competitive advantage.

## Business Strategy

Our primary target market is comprised of professional small, medium and large-sized buyers and suppliers. Moreover, our focus is on verified suppliers and verified buyers. Our business strategy is to serve our markets with online, print and trade show media that address our customers' needs at all stages of the buying process.

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

- Strengthen position in core, export focused business. Our objective is to leverage the combined strengths of GlobalSources.com and the China Sourcing Fairs.
- New product and market development. Our plans include the launch of new verticals and entries into new geographies.
- Expansion in China's domestic B2B market. We have more than a dozen individual media properties serving this market and plans include further development of these businesses and expansion into new verticals.
- Acquisitions, joint ventures and/or alliances. We are focused on complementary businesses, technologies and products that will help us maintain or achieve market leading positions in particular niche markets.

### Products & Services

#### Media for Buyers Worldwide

#### Online Services

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

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

#### Trade Publications

We currently publish the following industry-specific trade magazines in various frequencies ranging from monthly to once a year:

Global Sources Auto Parts & Accessories	Global Sources India Products
Global Sources Baby & Children's Products	Global Sources Korea Products
Global Sources Computer Products	Global Sources Machinery & Industrial Supplies
Global Sources Electronic Components	Global Sources Medical & Health Products
Global Sources Electronics	Global Sources Mobile & Wireless
Global Sources Fashion Accessories	Global Sources Security Products
Global Sources Garments & Textiles	Global Sources Solar & Energy Saving Products
Global Sources Gifts & Premiums	
Global Sources Hardware & DIY	Global Sources Sports & Leisure
Global Sources Home Products	Global Sources Telecom Products



## Trade Shows

Trade Shows & Exhibitions currently scheduled for 2014. Note: CSF represents China Sourcing Fair; ISF represents India Sourcing Fair; and KSF represents Korea Sourcing Fair, each indicating the country of origin of most of the exhibitors.

Location	Hong Kong	Miami	Jakarta	Sao Paulo	Johannesburg	
Show Dates	Apr 12-15, 27-30	Oct 11-14, 18-21, 19-22 & 27-30	Jun 19-21	Aug 7-9 Aug 11-13	Nov 20-22	
CSF: Electronics & Components						
CSF: Mobile & Wireless						
CSF: Electronics						
CSF: Security Products						
CSF: LED & Solar Products						
CSF: Gifts & Premiums						
CSF: Home Products						
CSF: Fashion Accessories						
CSF: Underwear & Swimwear						
CSF: Garments & Textiles						
CSF: Hardware & Building Materials						
ISF: Garments & Accessories						
KSF: Gifts & Premiums						
KSF: Electronics & Components						
KSF: Mobile & Wireless						
Korea Sourcing Fair						
Total (by show period)	11	12	5	4	4	6
Total (by location)	23		5	4	4	6
Total Shows:			42			



Media for Electronics Engineers and Executives in Asia

Online Services

Website	Description
EE Times – Asia Online Network	Provides industry news, new product information and technical features covering new technology and its application to engineering managers and design engineers in China, Taiwan, India and countries in the Association of Southeast Asian Nations (“ASEAN”); websites in traditional and simplified Chinese, and English.
EDN – Asia Online Network	Provides in-depth technical content including technology articles, product news and special reports to design engineers and engineering managers in China, Taiwan, and ASEAN countries; websites in traditional and simplified Chinese and English.
Electronics Supply & Manufacturing – China Online	Provides managers in China's electronics industry daily news updates, new product rollouts, new manufacturing strategies, supplier reviews and component catalogs.
Webinars	Various webinars are offered throughout the year to provide corporate, engineering, procurement and manufacturing management with access to new manufacturing strategies, technology and supplier news.
DatasheetsChina.com	The world’s largest Integrated Circuits and electronic components online datasheet database, providing engineers and purchasing managers with normalized data for 250 million parts from over 10,000 suppliers worldwide.
Roboticschina.com	Informs designers, implementers and users of manufacturing, medical, agricultural, industrial, consumer and educational robotics systems on all aspects of robotics from systems design to sell and systems integration on the manufacturing floor.
Trade Shows	



Trade Shows	Description
International IC-China Conference & Exhibition (IIC-China)	China's largest system design event showcasing new IC technologies and the latest application methodology.  2013 event was held on February 28-March 1 in Shenzhen, with conferences on Smartphone & Tablet Design, Power, Connectivity, Test & Measurement, IC Supply Chain, and Smart Home & Surveillance.  2012 event was held on February 23-25 in Shenzhen, China's key technology hub, featuring leading semiconductor companies such as Analog Devices, Fairchild, Freescale and Silicon Labs.

Trade Shows	Description
China International Optoelectronic Exposition (“CIOE”)	<p>China's largest optoelectronics event established in 1999 and held annually in Shenzhen.</p> <p>Covers all optoelectronics segments including laser and infrared applications, precision optics, optical communications and LEDs.</p> <p>CIOE 2013 was held at Shenzhen Convention and Exhibition Center, September 4 to 7, 2013, with 3,213 exhibitors and 75,639 visitors.</p>
EDN-Asia seminars	<p>A series of one-day seminars held in Singapore, Malaysia, Taiwan and China.</p> <p>Topics covered include Embedded Systems Design, Test &amp; Measurement, Industrial Control, Mobile Device Design, Innovation, and Automotive Electronics.</p>
Magazines	Description
Magazine	<p>EE Times - Asia</p> <p>Editions published monthly in simplified and traditional Chinese; provides engineering managers and design engineers in China and with innovative design ideas and in-depth technology analysis.</p>
EDN - Asia	<p>Editions published monthly in simplified and traditional Chinese; provides engineers in China and Taiwan with in-depth technical content including technology articles, product news and special reports.</p>
Electronics Supply & Manufacturing - China	<p>Published monthly in simplified Chinese; provides corporate, engineering and procurement management in China with strategic business and technology information.</p>

## Media for Buyers and Executives in China

### Trade Shows and Exhibitions

#### Trade Shows / Exhibitions

#### Description, Scheduled Date and Location

**Global Sourcing Fair: Mobile & Wireless** Highly targeted exhibition offering local Chinese buyers, international buyers and their purchasing offices in China a wide selection of mobile and wireless products.

August 27 - 29, 2014 in Shenzhen, China

**FashionSZshow (formerly known as China International Fashion Brand Fair - Shenzhen)** China and international fashion brand fair featuring men's and women's clothing and accessories.

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

July 10 - 12, 2014 in Shenzhen, China  
Includes mold manufacturing technology and products, cutlery and tools, machinery automation, and metal processing.  
March 28 - 31, 2014 in Shenzhen, China

### Website

**Chief Executive China Online**

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

### Magazine

**Global Sources Chief Executive China**

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

### Customers

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

### Suppliers

During 2013, 24,048 suppliers paid us for marketing or advertising services compared to 29,606 during 2012. Approximately 88% of these suppliers were located in mainland China. One individual supplier customer represented more than 2% of our revenue during 2013 and no individual supplier customer represented more than 1% of our revenue during 2012.

## Buyers

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

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

## Sales and Marketing

Our team member sales organization consists of approximately 1,961 independent representatives in more than approximately 60 cities worldwide, with more than 40 of these locations in Greater China. We have a staff of 143 full-time employees that oversee and monitor the independent sales representative organizations that employ these representatives.

These organizations operate pursuant to service agreements with us that generally are terminable by either party on short notice. These representatives focus on developing and maintaining relationships with suppliers that are current customers and they seek to increase the number of new suppliers using our services. Substantially all of our contracts with suppliers are entered into directly between the supplier and us. Revenue for trade shows is seasonal as it is recognized in the month in which each show is held. Currently, most of our largest trade shows are expected to be held in the second quarter and fourth quarter of each year. The net result of the above seasonality is that second and fourth quarter revenues are likely to be substantially higher than the first and third quarter revenues. The largest representative sales offices are located in Beijing, Guangzhou, Shanghai, Xi'an, Shenzhen, Hong Kong and Taipei. Our eight sales representative organizations in China accounted for approximately 74% of our total revenue in 2013.

Our marketing strategy leverages our database of more than 319,000 suppliers currently listed on GlobalSources.com. Sophisticated analyses of buyer and supplier profile data enable us to target our sales and marketing programs to new geographic areas and to specific product categories within industry sectors.

Our sales representative organizations are generally structured to offer an integrated marketing solution of our media to customers. Our community development group is responsible for marketing our services to the global buyer community through online advertisements and promotions, search engine marketing, trade shows and direct mail campaigns.

## Content Development

Our content development group is responsible for compiling, editing, integrating and processing the content that appears in our online services and print media. Within content development, the advertisement operations and editorial groups compile materials from suppliers and freelance writers, respectively, and transform these materials into the advertising and editorial content. Research teams analyze customer content usage to direct content development and they work with sales representatives and marketing staff to develop appropriate content for new industry sectors. Our site team is responsible for evaluating and integrating content into our online services, as well as maintaining the overall integrity of such services. In addition, members of the content development group manage the pre-press production work and print production processes associated with the creation of our printed and digital trade magazines. They also maintain the back-end supplier database, which is the foundation for our online supplier and

product information.

### Strategic Relationships

eMedia Asia Limited (“eMedia”) is a subsidiary of which we own 60.1% and control, and CMP Media (now known as TechInsights), through UBM Asia B.V., a member of the United Business Media group, owns 39.9%. We entered into the joint venture in September 2000, to provide new technology content, media and online services for the Asian electronics market, focusing on new opportunities in the Greater China market.

In December 2009, eMedia acquired from the United Business Media group, for a net cash consideration of approximately US\$5 million, the entire issued share capital of eMedia South China Limited (previously known as “UBM South China Limited”), a company incorporated in the Hong Kong Special Administrative Region, which holds a 70% equity interest in Shenzhen Herong GS Exhibition Co., Ltd. (previously known as “Shenzhen Herong UBM Exhibition Co., Ltd.”), a company incorporated in mainland China. Shenzhen Herong GS Exhibition Co., Ltd. organizes and operates the CIOE in mainland China. With this acquisition, eMedia’s portfolio of media products for the Chinese electronic engineering community further complements our own multi-channel media network for professionals in China’s electronic industry.

In April 2011, eMedia acquired EDN Asia Advertising Pte. Ltd. (previously known as “Canon Communications Asia Pte. Ltd.”) and Beijing EDN Advertising Production Co., Ltd. (previously known as “Beijing Reed Advertising Services Co., Ltd.”) – which published EDN-Asia and EDN-China, respectively – from Canon Communications LLC, a subsidiary of United Business Media Limited (LSE: UBM.L), for a cash consideration of approximately US\$4 million. Subsequently, these titles were transferred to eMedia and are now published directly by eMedia, with effect from January 1, 2013.

Haoji Group Limited (“Haoji”) is a company incorporated in the British Virgin Islands, which holds the entire issued share capital of Space Exhibition Consultants Limited, a company incorporated in the Hong Kong Special Administrative Region, which in turn holds all of the equity interests in Huanyu Shishang Exhibition (Shenzhen) Co., Ltd. (“Huanyu”). Huanyu operates the China (Shenzhen) International Brand Clothing & Accessories Fair (now known as Fashion SZ show) in mainland China, and owns the businesses and assets associated therewith. In March 2012, we acquired 80% of the entire issued share capital of Haoji, from an individual who was the sole shareholder of Haoji, for a total cash consideration of approximately US\$17.0 million, comprising an initial cash amount of approximately US\$12.7 million that was paid by us on completion of the transaction, and another additional cash amount of approximately US\$4.3 million was paid in February 2013.

The Shenzhen International Machinery Manufacturing Industry Exhibition and its related shows (the “SIMM Events”) currently consist of two groups of co-located trade shows: (a) the Shenzhen International Machining Automation Exhibition and the Shenzhen International Metal Forming Machine Tool & Mould Exhibition (collectively, the “Group A SIMM Events”); and (b) the Shenzhen International Metal Cutting Machine Tool Exhibition (the “Group B SIMM Events”). We entered into an agreement in April 2013 (and a subsequent supplementary agreement in September 2013) to acquire a 70% interest in the Group A SIMM Events and a 56% effective interest in the Group B SIMM Events, for a total consideration of approximately \$16.6 million. We paid an initial deposit of \$2.1 million in the third quarter of 2013. The balance cash consideration of \$14.5 million is payable in several installments over the years 2014 to 2017 upon certain conditions being fulfilled. In addition, there is a potential obligation to pay not more than approximately \$1.2 million for transaction cost.

#### Technology and Systems

We use a combination of commercial software and internally developed systems to operate our websites and services.

We have invested a total of \$25.9 million for years 2013 and 2012 combined in information and technology costs.

As of December 31, 2013, we had 169 team members engaged in technology development, maintenance, software customization and data center operations.

As of December 31, 2013, our online marketplace services are run on the Oracle DBMS release 11g. The catalog application that supports Global Sources Online's core functions uses a Java platform.

Our servers are hosted by AT&T iDC in Hong Kong. We maintain system back-ups and have a Singapore facility that can be used for disaster recovery purposes.

For the year ended December 31, 2013 our external network had 99.99% uptime availability.

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



## Competition

For our online marketplaces, trade magazines and trade show services, the market is highly fragmented and potential competition and competitors vary by the range of services provided, geographic focus and the industry sector served. Some competitors only offer trade shows and other competitors only offer online services.

We may compete to some extent with a variety of organizations that have announced their intention to launch, or have already launched, products and services that compete to a certain degree with ours. These businesses include business media companies, trade show organizers, government trade promotion bodies, domestic retail marketplaces, international trade marketplaces, transaction software and services providers, and electronic sourcing application and/or service providers. We may be at a competitive disadvantage to companies that have greater financial resources, that have more advanced technology, that have greater experience or that offer lower cost solutions than ours.

## Intellectual Property

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

We have also developed several proprietary technology applications. We currently do not hold any patents for our proprietary technology applications. In the future, we may apply for patents for these technology applications, where appropriate, but we may not be successful in obtaining such patents, or even if we are issued a patent, it is possible that others may be able to challenge such a patent or that no competitive advantage will be gained from such patent.

Our intellectual property is very important to our business. We rely on a combination of contractual provisions, employee and third-party nondisclosure agreements, and copyright, trademark, service mark and trade secret laws, to establish and protect the proprietary rights of our brands, software, content and services.

We have registrations and/or pending applications for either or both of our “Global Sources” and “China Sourcing Fairs” trademarks in various countries or regions, including Australia, Brazil, the European Union, Hong Kong, India, Indonesia, Israel, Mexico, mainland China, the Philippines, Singapore, South Africa, South Korea, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates and the United States.

We have in the past, and may in the future, co-develop some of our intellectual property with independent third parties. In these instances, we take all action that we believe is necessary or advisable to protect and to gain ownership of all co-developed intellectual property. However, if such third parties were to introduce similar or competing online services that achieve market acceptance, the success of our online services and our business, operating results, financial condition and prospects may be harmed.

## Government Regulation

Our services are or may be subject to government regulations in various jurisdictions where we or our operations, businesses or activities are located or conducted, where our clients or users are located, or where our services are provided, supplied, transmitted, accessed, used or received. Some of these regulations are described below.

## Internet Regulation

There are an increasing number of laws and regulations pertaining to the Internet. In addition, various legislative and regulatory proposals are frequently under consideration by federal, state and local and foreign governments and agencies. Laws or regulations have been or may be adopted with respect to the Internet relating to the liability for information retrieved from or transmitted over the Internet, regulation of online content (or the provision of internet content), the transmission of unsolicited commercial e-mails, user privacy, the use of “cookies”, online behavioral advertising practices, taxation and the quality of products and services. Moreover, it may take years to determine whether and how existing laws, such as those governing issues relating to intellectual property ownership and infringement, privacy, libel, copyright, trademark, trade secret, design rights, taxation, and the regulation of, or any unanticipated application or interpretation of existing laws, may decrease the use of the Internet, which could in turn decrease the demand for our services, increase our cost of doing business or otherwise have a material adverse effect on our business, operating results, financial condition and prospects.

## Regulation of Communications Facilities

To some extent, the rapid growth of the Internet has been due to the relative lack of government intervention in the marketplace in respect of, or due to the relative inadequate development or uncertainty of laws and regulations governing, Internet access. For example, several telecommunications carriers are seeking to have telecommunications over the Internet regulated in the same manner as are certain other telecommunications services. Additionally, local telephone carriers have petitioned or may petition the relevant authorities to regulate ISPs in a manner similar to long distance telephone carriers and to impose access fees on such providers. Some ISPs are seeking to have broadband Internet access over cable systems regulated in much the same manner as telephone services, which could slow the deployment of broadband Internet access services. Because of these proceedings or others, new laws or regulations could be enacted, which could burden the companies that provide the infrastructure on which the Internet is based, thereby slowing the rapid expansion of the medium and its availability to new users.

## Properties

During 2004, we entered into a contract for the purchase of approximately 9,000 square meters of office space in the Shenzhen International Chamber of Commerce Tower in Shenzhen, China, at a purchase price of approximately \$19.0 million. Full payment of the purchase price was made during 2004, the physical handover of the premises occurred on or around March 30, 2005 and we received the title certificates. In 2008, we purchased approximately 6,364.50 square meters (gross) of additional office space in this same building, at a price of approximately \$34.4 million. The building is situated on leasehold land. The lease period of the land is 50 years, commencing from year 2002. At the end of the lease period, the building together with land will revert to the local government authority.

In 2007, we purchased approximately 1,939.38 square meters of office space in a commercial building known as “Excellence Times Square” in Shenzhen, China, at a purchase price of approximately \$7.0 million. The building is situated on leasehold land. The lease period of the land is 50 years, commencing from year 2002. At the end of the lease period, the building together with land will revert to the local government authority. Subsequently, in May 2013 we completed the sale of this property for a total cash consideration of approximately \$19.6 million.

In 2008, we purchased approximately 22,874 square feet (gross) of office space, together with 6 car parking spaces, in a commercial building known as Southmark in Hong Kong, China, for a total purchase price of approximately \$12.3 million. The lease period of the land is 55 years, commencing from the year 1991. Subsequently, in March 2013, we completed the sale of a portion of this office space, comprising a total area of 9,431 square feet, together with 3 out of the 6 car parking spaces, for a total cash consideration of approximately \$9.0 million.

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

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

In January 2014, we entered into an agreement for the purchase of office space on the 8th floor of No. 1 Sims Lane in Singapore, with a total gross floor area of approximately 22,496.50 square feet, together with 5 appurtenant rooftop

accessory lots, for a total purchase consideration of approximately \$13.1 million. This transaction was completed in February 2014. We previously leased this office space and are currently continuing to occupy it for our operational use.

In addition, we generally lease our office space under cancellable and non-cancellable arrangements with terms of two to five years, generally with an option to renew upon expiry of the lease term. We leased in aggregate approximately 109,717 square feet of executive and administrative offices in mainland China, Hong Kong, the Philippines, Singapore, India and Taiwan during the year ended December 31, 2013. Our aggregate base rental and building management fee expenses for the year ended December 31, 2013 were approximately \$1.8 million.

We lease part of our properties to third parties to generate rental income. During the year ended December 31, 2013, we recorded such rental income of \$6.1 million.

#### Legal Proceedings

We are a party to litigation from time to time in the ordinary course of our business. We do not expect the outcome of any pending litigation to have a material adverse effect on our business.

#### ITEM 4A.

#### UNRESOLVED STAFF COMMENTS

None.

#### ITEM 5.

#### OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the “Selected Financial Data” and the accompanying financial statements and the notes to those statements appearing elsewhere in this Annual Report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed below and elsewhere in this Annual Report, particularly under the caption “Risk Factors.”

#### Overview

We are a leading B2B media company and a primary facilitator of two-way trade with Greater China. Our core business is facilitating trade from Greater China to the world, using a wide range of English-language media. Our other key business segment facilitates trade from the world to Greater China using Chinese-language media. We provide sourcing information to volume buyers and integrated marketing services to suppliers. Our mission is to facilitate global trade between buyers and suppliers by providing the right information, at the right time, in the right format. Although our range of media has grown, for more than 40 years we have been in the same basic business of helping buyers worldwide find products and suppliers in Asia.

We believe we offer the most extensive range of media and export marketing services in the industries we serve through our three primary channels – online marketplaces, magazines and trade shows.

We were originally incorporated under the laws of Hong Kong in 1970. In 1971, we launched Asian Sources, a trade magazine to serve global buyers importing products in volume from Asia. Realizing the importance of the Internet, we became one of the first providers of business to business online services by launching Asian Sources Online in 1995. In 1999, we changed the name of Asian Sources Online to Global Sources Online.

In April 2000, we completed a share exchange with a publicly traded company based in Bermuda, and our shareholders became the majority shareholders of the Bermuda corporation. As a result of the share exchange, we became incorporated under the laws of Bermuda and changed our name to Global Sources Ltd.

#### Revenue

We derive revenue from two principal sources, Online and other media services and Exhibitions-trade shows and seminars.

Online and other media services consists of the following two primary revenue streams:

**Online Services** — Our primary service is creating and hosting marketing websites that present suppliers' product and company information in a consistent and easily searchable manner on Global Sources Online. We also derive revenue from banner advertising fees and the digital magazines we launched in July 2010.

**Other Media Services** — We publish trade magazines, which consist primarily of product advertisements from suppliers and our independent editorial reports and product surveys. Suppliers pay for advertising in our trade magazines to promote their products and companies. We also derive revenue from buyers that subscribe to our trade publications and sourcing research reports.

We recognize revenue from our online and other media services ratably over the period in which the advertisement is displayed.

Exhibitions – trade shows and seminars - Our China Sourcing Fairs offer international buyers direct access to manufacturers in China and elsewhere in Asia. The first China Sourcing Fair was held in 2003. Subsequently, we launched China Sourcing Fairs events in Hong Kong, Dubai, Mumbai, India, Johannesburg, South Africa, Miami, USA and Sao Paulo, Brazil and held several China Sourcing Fairs events from 2004 to 2013. We host domestic trade shows in China under our Global Sourcing Fairs brand. We also host our International IC China Conferences and Exhibitions in Shenzhen, China each year and host the China International Optoelectronic Expo as well as FashionSZshow (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair) in Shenzhen, China in the third quarter of each year. In 2013, we moved our events in India from Mumbai to New Delhi.

We derive revenue primarily from rental of exhibit space and also from advertising and sponsorship fees in show guides and other locations in and around our event venues. We recognize exhibitor services revenue at the completion of the related events. Our major China Sourcing Fairs in Hong Kong are scheduled to be held in the second quarter and fourth quarter of each financial year. As a result, second and fourth quarter revenues are expected to be higher than the first and third quarter revenue.

#### Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of this document. The following is a discussion of our critical accounting policies:

(a) **Income Taxes**

We have exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group wide provision for income taxes and recognition of deferred tax assets. The Group has open tax assessments with tax authorities at the balance sheet date and there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for expected tax issues (Note 9 to the consolidated financial statements included in Item 8) based on reasonable estimates of whether additional taxes will be due and recognize deferred tax assets (Note 15 to the consolidated financial statements included in Item 8) on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax loss can be utilized. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions recognized in the period in which such determination is made.

(b) **Goodwill and Intangible assets**

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

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

characteristically stable market condition.

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



At December 31, 2013 and 2012, we had goodwill balances of \$2.5 million and \$7.5 million, respectively. This goodwill relates the business acquisitions we did in 2009 and 2012. Upon acquisition, the purchase consideration is allocated between the net tangible and intangible assets other than goodwill on a fair value basis with any excess purchase consideration representing goodwill.

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

Goodwill is allocated to our CGUs identified according to operating segments. An operating segment-level summary of the goodwill allocation as of December 31, 2013 and 2012 was as follows:

	December 31, 2013	December 31, 2012
Exhibitions, Haoji Group Limited	\$-	\$5.0
Exhibitions, eMedia South China Limited	2.5	2.5
	\$2.5	\$7.5

The trademarks intangible assets relating to the acquired businesses as at December 31, 2013 and 2012 were as follows:

	December 31, 2013	December 31, 2012
Exhibitions, Haoji Group Limited	\$13.6	\$18.8
Exhibitions, eMedia South China Limited	3.9	4.3
Online and other media services business, EDN	0.7	1.0
	\$18.2	\$24.1

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

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

We performed an impairment review of goodwill balances at December 31, 2013. The recoverable amounts of CGUs were determined based on value-in-use calculations. For these calculations we used cash flow projections covering five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates.

Exhibitions, eMedia South China Limited:

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

- Revenue growth rate of average 2%
- Pre-tax discount rate of 22% applied to the pre-tax cash flow projections
- Growth rate beyond five years of 1.5%

We determined revenue growth rate based on past performance and its expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segment. Based on our testing, there was no impairment to goodwill for eMedia South China Limited as at December 31, 2013.

We have also performed a sensitivity analysis for the above exhibition business based on changes in key assumptions considered to be reasonably possible. There will be no impact to our results after tax if the pre-tax discount rate and the revenue growth applied to the discounted cash flows for this exhibition business at December 31, 2013 are raised by 1% and decreased by 1%, respectively, with all other variables including tax rate being held constant. In addition, there were no indicators of impairment for the trademark assets relating to eMedia South China Limited as at December 31, 2013. We have also assessed the useful lives of the trademarks and determined that no change in the useful lives was required.

#### Exhibitions, Haoji Group Limited:

Due to a slowdown in the current economic climate in China, we noted a significant decline in booth sales for the 2013 event. Accordingly, we performed an impairment review as at June 30, 2013, and we performed an annual impairment review again as at December 31, 2013. These reviews revealed a slow sales trend and a shortfall in the future cash flows to support the recoverability of the Haoji Group exhibition business. For testing the goodwill for impairment at year end, we used the following key assumptions for value-in-use calculations:

- Revenue growth rate of average 16%
- Pre-tax discount rate of 22% applied to the pre-tax cash flow projections
- Growth rate beyond five years of 1.5%

We determined revenue growth rate based on past performance and its expectations of market developments. The discount rates used reflect specific risks relating to the relevant operating segment. The cash flow projections we used were based on the detailed financial and operating plans of the business and the more than anticipated softening of the fashion industry exhibitions market since the end of financial year 2012. Accordingly, impairment of \$5.0 million to goodwill and \$3.5 million to trademark intangible assets were recorded in the consolidated income statement for the year ended December 31, 2013. After recording the goodwill charge, the balance of goodwill relating to this business as at December 31, 2013 was nil.

On October 1, 2013, we reviewed the useful lives of the trademarks of the Haoji Group, taking into account the downward trend in the fashion industry sector in China, and revised the useful lives of the trademarks from seventeen years to seven years. The effect of this change in the accounting estimate was recognized prospectively from October 1, 2013. We recorded additional amortization expense of \$0.5 million during the year ended December 31, 2013 resulting from the change in accounting estimate. Annual amortization expense is expected to be higher by \$1.5 million during future financial years due to the change in accounting estimate.

We have also performed a sensitivity analysis for the above exhibition business based on changes in key assumptions considered to be reasonably possible. Our profit after tax will reduce by \$0.5 million and \$ 0.8 million if the pre-tax discount rate and the revenue growth applied to the discounted cash flows for this exhibition business at December 31, 2013 are raised by 1% and decreased by 1%, respectively, with all other variables including tax rate being held constant.

Online and other media services business, EDN:

During the years ended December 31, 2012 and 2011, the Group recorded impairment of \$1.4 million and \$0.7 million to goodwill due to more than anticipated softening of the print advertising business. The balance of goodwill relating to EDN business was \$nil as at December 31, 2012. There were no impairment indicators for our EDN business as at December 31, 2013.

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

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

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

## Results of Operations

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

	Year ended December 31,					
	2013		2012		2011	
<b>Revenue</b>						
Online and other media services	53	%	59	%	63	%
Exhibitions	43		38		35	
Miscellaneous	4		3		2	
	100		100		100	
<b>Operating Expenses:</b>						
Sales	31		35		36	
Event production	12		11		11	
Community and content	14		14		15	
General and administrative	26		19		18	
Information and technology	7		6		6	
Total Operating Expenses	90	%	85	%	86	%
Profit on sale of property	8		-		-	
Profit from Operations	18	%	15	%	14	%
Net profit attributable to the Company's shareholders	17	%	14	%	13	%
Diluted net profit per share attributable to the Company's shareholders	\$0.91		\$0.90		\$0.83	
Shares used in diluted net profit per share calculations	36,068,326		35,385,218		41,693,616	



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

	Year ended December 31,					
	2013		2012		2011	
China	83	%	82	%	79	%
Rest of Asia	15		15		18	
USA	2		3		3	
Europe	0		0		0	
Other	0		0		0	
	100	%	100	%	100	%

#### Fiscal Year 2013 Compared to Fiscal Year 2012

##### Revenue

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

##### Operating expenses

##### Sales

We utilize independent sales representatives employed by independent sales representative organizations in various countries and territories to promote our products and services. Under these arrangements, the sales representative organizations are entitled to commissions as well as marketing fees. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn commission as a percentage of revenue generated. The commission expenses are expensed as incurred. For online and other media services, the commission expense is incurred when the associated revenue is recognized or when the associated accounts receivable are paid, whichever is earlier. For exhibitions, the commission expense is incurred when the associated revenue is recognized upon conclusion of the event. Sales costs consist of operating costs for our sales departments and the commissions, marketing fees and incentives provided to our independent sales representative organizations, as well as

sales support fees for processing sales contracts.

Sales costs declined by 23% from \$80.4 million during the year ended December 31, 2012 to \$62.0 million during the year ended December 31, 2013. The decline in sales costs was mainly due to a decline in sales commissions due to a 15% decline in our total revenue, a decline in marketing fees and by a reduction in business tax expense due to the implementation of VAT in China in a phased manner since January 2012.



### Event Production

Event production costs consist of the costs incurred for hosting the exhibition or trade show and seminar events. Event production costs include venue rental charges, booth construction costs, travel costs incurred for the event hosting and other event organizing costs. The event production costs are deferred and recognized as an expense when the related event occurs.

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

### Community and Content

Community and content costs consist of the costs incurred for servicing our buyer community, for marketing our products and services to the global buyer community and our content management services costs for our print publications business and online services business. Community and content costs also include costs relating to our trade magazine publishing business and marketing inserts business, specifically printing, paper, bulk circulation and magazine subscription promotions, promotions for our on-line services, customer services costs and the event specific promotions costs incurred for promoting the China Sourcing Fairs events and the technical conferences, exhibitions and seminars to the buyer community. The event specific promotion costs incurred for events are expensed as incurred.

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

### General and Administrative

General and administrative costs consist mainly of corporate staff compensation, marketing costs, office rental, depreciation, communications and travel costs, foreign exchange gains/losses arising from the revaluation of monetary assets and monetary liabilities, amortization of software and intangible assets as well as the goodwill impairment charge discussed below.

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

In December 2009, our subsidiary, eMedia Asia Limited, acquired a 70% interest in China International Optoelectronic Expo exhibition business. We recorded the acquired intangible assets at fair value of \$5.8 million and goodwill of \$2.5 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs.

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

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

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

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

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

#### Information and Technology

Information and technology costs consist mainly of payroll, office rental and depreciation costs and fees paid to third parties relating to our information and technology support services and the updating and maintenance of Global Sources Online.

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

### Non-Cash Compensation Expense

We have issued share awards under several ECPs to both employees and non-employees. The Company's share awards to non-employees are share grants to consultants and to employees of third party service providers. We also recognize non-cash compensation expenses relating to the share awards granted to our directors under The Global Sources Directors Share Grant Award Plan.

The share grants to employees and non-employees generally vest over a six-year period on a graded vesting basis, with a percentage of shares vesting each year. The share grants have a service condition that the awardees who received the share grants must continue to provide the services during the vesting period. The awardees will receive the shares on the respective vesting dates if they continue to render services to the Company. If an awardee ceases to provide services, any shares that have not vested are forfeited.

Persons eligible to receive grants under the Global Sources Directors Share Grant Award Plan are the directors of the Company. Share grants to directors vest after four years or in accordance with such other vesting schedule as may be determined by the Plan Committee.

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

The total non-cash compensation expenses, resulting from the ECPs, including The Global Sources Directors Share Grant Award Plan, recorded by us and included under the respective categories of expenses during the year ended December 31, 2013 and the year ended December 31, 2012 were \$2.2 million and \$2.4 million, respectively.

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

#### Profit from Sale of Property

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

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

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

#### Profit from Operations

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

Profit from operations for online and other media services declined from \$24.9 million during the year ended December 31, 2012 to \$20.2 million during the year ended December 31, 2013, a decline of 19%. The decline resulted mainly from a decline in online and other media services revenue partly off-set by reductions in sales costs, community and content costs, general and administration costs and information and technology costs. Profit from operations for exhibition services declined from \$7.3 million during the year ended December 31, 2012 to a loss of \$2.5 million during the year ended December 31, 2013, mainly due to the impairment loss in goodwill and intangible assets relating to one of our acquired exhibition businesses that we recorded in 2013 and increases in general and administration costs, off-set partially by an increase in exhibitions revenue and declines in event production costs and community and content costs. Profit from operations for all other segments marginally improved from \$2.8 million during the year ended December 30, 2012 to \$2.9 million during the year ended December 31, 2013 as a result of an increase in revenue in those segments.

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

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

## Income Taxes

Certain subsidiaries of the group operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Some of our subsidiaries operate in Hong Kong SAR, Singapore, China and certain other jurisdictions and are subject to income taxes in their respective jurisdictions.

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

## Net Profit Attributable to the Company

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

## Diluted Net Profit per Share

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

## Fiscal Year 2012 Compared to Fiscal Year 2011

### Revenue

Total revenue grew by 3% to \$231.7 million during the year ended December 31, 2012 from \$225.1 million during the year ended December 31, 2011. Following the introduction of Value Added Tax ("VAT") in China in 2012 in a phased manner, we absorbed the VAT and presented our revenue net of VAT, which reduced our revenue growth in 2012. Moreover, a weakened China export market resulting from the global economic downturn coupled with various types of products and services launched by our competitors contributed to a reduced revenue yield from our customers, affecting our revenue growth negatively. In addition, these factors also contributed to reduced advance collections from customers which could reduce our future revenue. The mainland China export market continues to be weak, affecting our online and other media services revenue, and in addition, magazine advertising continues to be under pressure from the global shift to alternative forms of advertising. Our online and other media services revenue declined by \$5.4 million or 4% to \$136.1 million for the year ended December 31, 2012, as compared with \$141.5 million for the year ended December 31, 2011, primarily due to declines in some of our Asian and US markets. The decline in our online and other media services revenue resulted mainly from a 27% decline in our print advertising offset by a growth of 1% in our revenue from hosting online websites and digital magazines for our customers. China represented 79% of online and other media services revenue for the year ended December 31, 2012 compared to 77% for the year ended December 31, 2011. Our Exhibitions revenue grew from \$78.0 million for the year ended December 31, 2011 to \$88.8 million for the year ended December 31, 2012, an increase of 14%, due mainly to the revenue contributed by the newly acquired China (Shenzhen) International Brand Clothing & Accessories Fair events in July 2012, the launching of our China Sourcing Fairs events in Brazil and increases in our booth sales in our China

Sourcing Fairs events in Miami, USA and the China International Optoelectronic Expo in Shenzhen, China. The above increase was partially offset by decreases in booth sales for our China Sourcing events in Dubai and Mumbai, India and International IC China Conferences and Exhibitions in Shenzhen, China.

We continue to focus on the China market. We expanded our market share in China in both the online and other media services and the exhibition services through a series of marketing efforts including the launching of new exhibition events and achieving higher booth yields in year 2012 for our exhibition events and through merger and acquisition activities. Total revenue from China grew by 7% during the year ended December 31, 2012 compared to the year ended December 31, 2011, although our total company revenue grew only by 3% during the year. This indicates our revenue growth from China market was more robust compared to our revenue growth from other markets.



## Operating expenses

### Sales

We utilize independent sales representatives employed by independent sales representative organizations in various countries and territories to promote our products and services. Under these arrangements, the sales representative organizations are entitled to commissions as well as marketing fees. These representative organizations sell online services, advertisements in our trade magazines and exhibitor services and earn a commission as a percentage of revenue generated. 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. Sales costs consist of operating costs for our sales departments and the commissions, marketing fees and incentives provided to our independent sales representative organizations, as well as sales support fees for processing sales contracts.

Sales costs declined by 1% from \$81.4 million during the year ended December 31, 2011 to \$80.4 million during the year ended December 31, 2012. The decline in sales costs was mainly due to a lower rate of sales cost for certain exhibition events. In addition, during 2012, Value Added Tax (VAT) has been introduced to replace the business tax on advertising and exhibitions businesses in China. The implementation is being carried out in a phased manner starting with Shanghai region in the first quarter and gradually implemented in all regions across the country. The introduction of VAT resulted in a lower China business tax expense for the year. The reduction in sales costs was off-set partially by growth in sales commission expense arising from the growth in revenue.

### Event Production

Event production costs consist of the costs incurred for hosting the exhibition or trade show and seminar events. The event production costs include venue rental charges, booth construction costs, travel costs incurred for the event hosting and other event organizing costs. The event production costs are deferred and recognized as an expense when the related event occurs.

Event production costs increased from \$24.6 million during the year ended December 31, 2011 to \$26.3 million during the year ended December 31, 2012, an increase of 7%. The increase was due to a higher number of events in 2012, including the newly acquired FashionSZ Show (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair) and the launch of our China Sourcing Fairs events in Brazil, off-set partially by a reduction in event production costs resulting from a lower number of booths sold, especially in the China Sourcing Fairs events in Dubai and Mumbai, India and International IC China Conferences and Exhibitions in Shenzhen, China.

### Community and Content

Community and content costs consist of the costs incurred for servicing our buyer community, for marketing our products and services to the global buyer community and our content management services costs for our print publications business and online services business. Community and content costs also include costs relating to our trade magazine publishing business and marketing inserts business, specifically printing, paper, bulk circulation and magazine subscription promotions, promotions for our on-line services, customer services costs and the event specific promotions costs incurred for promoting the China Sourcing Fairs events and the technical conferences, exhibitions and seminars to the buyer community. The event specific promotion costs incurred for events are expensed as

incurred.

Community and content costs decreased by 4% from \$34.1 million during the year ended December 31, 2011 to \$32.7 million during the year ended December 31, 2012 due mainly to a 16% decline in our bulk circulation costs, a 17% decline in printing charges and an 18% decline in paper consumption and a reduction in our content management services costs.

## General and Administrative

General and administrative costs consist mainly of corporate staff compensation, marketing costs, office rental, depreciation, communications and travel costs, foreign exchange gains/losses arising from the revaluation of monetary assets and monetary liabilities, amortization of software and intangible assets.

We have issued share awards under an ECP and the Global Sources Retention Share Grant Plan to former employees, consultants and employees of third party service providers when they resign or retire from their respective employment or consultancy service. Under these two plans, the share grants vest over a five-year period on a graded vesting basis, with 20% of shares vesting each year. The grantee is subject to the non-competition terms stipulated in the plan. There is no vesting condition other than the non-competition terms. We established The Global Sources Retention Share Grant Plan II (amended effective as of May 1, 2012) in the second quarter of 2012 to issue share awards to former employees, consultants and employees of third party service providers when they resign or retire from their respective employment or consultancy service. Under this plan, the share grants vest over a five-year period on a graded vesting basis, with 20% of shares vesting each year. The grantee is subject to the non-competition terms stipulated in the plan. There is no vesting condition other than the non-competition terms. Under the above plans, if the grantee fails to comply with the non-competition terms, his or her unvested shares may be forfeited. Where the Company has the ability to enforce the non-competition agreement and the grantees are entitled to the shares, we recognize the intangible assets relating to the non-competition provisions of these awards at the fair value of the respective award. The intangible assets are amortized over the non-competition period on a straight line basis. The amortization expense relating to these intangible assets is included in the general and administrative costs.

In December 2009, our subsidiary, eMedia Asia Limited, acquired a 70% interest in China International Optoelectronic Expo exhibition business. We recorded the acquired intangible assets at fair value of \$5.8 million and goodwill of \$2.5 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs. There was no impairment to goodwill for the year ended December 31, 2012.

On April 2, 2011, our subsidiary, eMedia Asia Limited acquired a 100% interest in EDN China and EDN Asia publications business and recorded the acquired intangible assets at fair value of \$1.6 million and goodwill of \$2.0 million in connection with this acquisition. The amortization expense relating to these acquired intangible assets is included in the general and administrative costs. Management performed an impairment review in the fourth quarter of 2012 which revealed a shortfall in the future cash flows to support the recoverability of the EDN business. The cash flow projections used by management were based on the detailed financial and operating plans of the business and the larger than anticipated softening of the print advertising market since the end of 2011. Based on the review, management determined that the goodwill balance relating to the EDN business was fully impaired and recorded a \$1.4 million goodwill impairment charge in the general and administrative costs in the fourth quarter of 2012. The net book values of goodwill relating to the EDN business as at December 31, 2012 was \$nil.

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

General and administrative costs increased by 9% from \$40.1 million during the year ended December 31, 2011 to \$44.3 million during the year ended December 31, 2012, due mainly to increases in marketing expenses and payroll costs, the depreciation cost attached to the acquisition of the Shanghai property in the third quarter of 2011 and

amortization expenses for acquired intangible assets relating to the China (Shenzhen) International Brand Clothing & Accessories Fair business and an increase in the goodwill impairment charge relating to our acquired EDN business.

#### Information and Technology

Information and technology costs consist mainly of payroll, office rental and depreciation costs and fees paid to third parties relating to our information and technology support services and the updating and maintenance of Global Sources Online.

Information and technology costs increased by 5% from \$12.6 million during the year ended December 31, 2011 to \$13.2 million during the year ended December 31, 2012 due mainly to increases in payroll costs and fees paid for software updating and maintenance to third party consultants off-set partially by a decline in internet and website hosting costs.

#### Non-Cash Compensation Expense

We have issued share awards under several equity compensation plans (“ECP”) to both employees and non-employees. The Company’s share awards to non-employees are share grants to consultants and to employees of third party service providers. We also recognize non-cash compensation expenses relating to the share awards granted to our directors under The Global Sources Directors Share Grant Award Plan.

The share grants to employees and non-employees generally vest over a six-year period on a graded vesting basis, with a percentage of shares vesting each year. The share grants have a service condition that the awardees who received the share grants must continue to provide the services during the vesting period. The awardees will receive the shares on the respective vesting dates if they continue to render services to the Company. If an awardee ceases to provide services, any shares that have not vested are forfeited.

Persons eligible to receive grants under the Global Sources Directors Share Grant Award Plan are the directors of the Company. Share grants to directors will vest after four years or in accordance with such other vesting schedule as may be determined by the Plan Committee.

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

The total non-cash compensation expenses, resulting from the ECPs, and The Global Sources Directors Share Grant Award Plan, recorded by us and included under the respective categories of expenses for the year ended December 31, 2012 and December 31, 2011 were \$2.4 million and \$2.8 million respectively.

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

#### Profit from Operations

The total profit from operations during the year ended December 31, 2012 was \$35.0 million as compared to \$31.7 million during the year ended December 31, 2011. The increase in total profit from operations resulted mainly from an increase in revenue and reductions in sales costs and community and content costs partially offset by increases in event production costs, general and administrative costs and information and technology costs.

Profit from operations for online and other media services increased from \$21.1 million during the year ended December 31, 2011 to \$24.9 million during the year ended December 31, 2012, an increase of 18%. The growth resulted mainly from reductions in sales costs, community and content costs and general and administration costs partially off-set by a reduction in online and other media services revenue and increases in information and technology costs. Profit from operations for exhibition services remained at the same level of \$7.3 million during the years ended December 31, 2011 and December 31, 2012, mainly due to the growth in exhibitions revenue was off-set by increases in sales costs, event production costs, community and content costs and general and administrative costs. Profit from operations for all other segments declined from \$3.4 million during the year ended December 30, 2011 to \$2.8 million during the year ended December 31, 2012 as a result of increase in depreciation costs and general and administration costs off-set partially by the increase in revenue.

#### Interest income

We recorded interest income of \$1.0 million arising mainly from U.S. Treasury securities and term deposits placed with banks during the year ended December 31, 2012 compared to an interest income of \$0.4 million during the year ended December 31, 2011. The increase in interest income was mainly due to the higher yield on the term deposits with the banks for the year ended December 31, 2012.

## Income Taxes

Certain subsidiaries of the group operate in the Cayman Islands and other jurisdictions where there are no taxes imposed on companies. Some of our subsidiaries operate in Hong Kong SAR, Singapore, China and certain other jurisdictions and are subject to income taxes in their respective jurisdictions.

We reported a tax expense of \$2.7 million during the year ended December 31, 2012 and of \$1.6 million for the year ended December 31, 2011. The effective tax rate for year ended December 31, 2012 was 8% compared to the effective tax rate of 5% for the year ended December 31, 2011. The increase in the effective tax rate is mainly due to the tax provision on the growth in profit from our China domestic exhibition business and tax provisions on the dividends declared by subsidiaries in China.

## Net profit attributable to the Company

Net profit attributable to the Company increased from \$29.5 million during the year ended December 31, 2011 to \$32.2 million during the year ended December 31, 2012. The increase in net profit attributable to the Company resulted mainly from a growth in revenue, higher interest income and reductions in sales costs and community and content costs, partially offset by increases in event production costs, general and administrative costs and information and technology costs and an impairment loss on an investment in an associate in 2012 and an increase in tax provision.

## Diluted Net profit Per Share

The diluted net profit per share attributable to the Company's shareholders increased from \$0.83 for the year ended December 31, 2011 to \$0.90 for the year ended December 31, 2012. The number of shares used for the computation of net profit per share increased from 35.4 million to 35.7 million.

## Liquidity and Capital Resources

We financed our activities for the year ended December 31, 2013 using cash generated from our operations and we had no bank debt as at December 31, 2013.

Net cash generated from operating activities was \$31.1 million for the year ended December 31, 2013, compared to \$31.3 million for the year ended December 31, 2012. The primary source of cash from operating activities was collections from our customers received through our independent sales representative organizations. The majority of our customers in mainland China pay us in advance for our Online and Other Media Services business. The majority of our Exhibitions business collections are advance payments. The 23% decline in our online and other media services revenue in 2013 compared to 2012 was a reflection of the reduction in advance payments from customers from \$110.1 million at the end of 2011 to \$93.6 million at the end of 2012 resulting mainly from the decline in advance payments from our customers in mainland China for our online and other media services business which was impacted by the global economic downturn and increased competition in the market. This decline appears to have mostly stabilized in 2013 resulting in \$90.4 million advance payments from customers as at the end of 2013.

Receivables from sales representative organizations increased from \$7.8 million as of December 31, 2012 to \$10.6 million as of December 31, 2013 as the sales representatives are in the process of remitting the collections to us. These collections will be transferred to our bank accounts in the coming months. The receivables from sales representative represent cash receipts from our customers, net of commissions and fees payable, and which are collected by the

independent sales representatives on our behalf. These cash receipts are banked into designated bank accounts owned by the independent sales representatives in China. For credit risk management purposes, our employees are the only authorized signatories for the withdrawal of cash from these bank accounts. We have long standing relationships with a majority of these independent sales representatives, for whom there is no recent history of default in transferring the funds to us. In the long term, if our China business and our exhibition business grow as the economic climate improves, the receivables from sales representative organizations may increase.

We continuously monitor collections from our customers and maintain an adequate provision for impairment of receivables. While credit losses have historically been within our expectations and the allowances established, if bad debts significantly exceed our provisions, additional provisions may be required in future.



We did not recognize deferred income tax assets of \$9.1 million in respect of losses as at December 31, 2013 that can be carried forward against future taxable income as the losses arose from dormant and/or loss-making subsidiaries whereby the realization of the related tax benefit through future taxable profits is not probable.

Net cash generated from investing activities was \$3.3 million during the year ended December 31, 2013, resulting mainly from \$27.9 million proceeds from the sale of property and equipment and investment property, \$5.8 million proceeds from matured term deposits with banks, \$1.3 million of proceeds from the sale of available-for-sale financial assets and \$1.5 million interest received, off-set partially by \$24.6 million purchase of property and \$2.4 million for the purchase of computers, software, office equipment and leasehold improvements, a \$4.4 million balance payment for the acquisition of a controlling interest in a subsidiary and \$1.8 million term deposits placed with banks. Net cash used in investing activities was \$7.6 million during the year ended December 31, 2012 resulting mainly from the \$11.4 million payment for the acquisition of a controlling interest in a subsidiary, \$1.4 million cash used for purchase of computers, software, office equipment and leasehold improvements, \$5.0 million placement of term deposits with banks, \$12.6 million purchase of available-for-sale securities off-set partially by \$18.4 million proceeds from sale of available-for-sale securities, \$3.6 million proceeds from matured terms deposits with the banks and \$1.0 million interest received.

Capital expenditures during the three months period ended March 31, 2014 amounted to \$14.5 million and were incurred mainly for the purchase of commercial property in Singapore, computers, software, office equipment and for office renovation. Our capital expenditures were financed using cash generated from our operations.

In 2004, 2007 and 2008 we purchased office space of 9,000 square meters, 1,939.38 square meters and 6,364.50 square meters, respectively, in commercial buildings in Shenzhen China. In 2008 we also purchased office space of 22,874 square feet together with six car parking spaces in a commercial building in Hong Kong SAR. In the third quarter of 2011, we purchased office space of approximately 6,668 square meters in a commercial building in Shanghai, China at a purchase price of approximately \$52.0 million, to support our continued business expansion in China. The payments for these acquisitions were funded from our internal cash resources. These buildings are situated on leasehold lands with lease periods ranging between 50 and 55 years. We record the depreciation on these assets on a straight-line basis over the remaining lease terms.

In order to reduce our exposure to potential rental cost increases, we signed a sale and purchase agreement on March 18, 2013 for the purchase of commercial property on the 21st, 22nd and 23rd floors of the Vita Tower in Hong Kong, China, which we were previously leasing for operational use. This comprised a total of 36,822 square feet of office space, for a total purchase consideration of approximately \$23.6 million. The transaction was conducted on an arm's-length basis based on due diligence procedures performed by management to ensure that it was transacted at fair value. The transaction was completed on March 28, 2013 and the total purchase consideration was paid by us. The \$24.6 million total cost of the purchase, including transaction costs of approximately \$1.0 million was recorded under property and equipment.

On March 18, 2013, we signed a sale and purchase agreement for the sale of office space on the 26th floor of Southmark building in Hong Kong, China, which was recorded under property and equipment, comprising a total area of 9,431 square feet, and three car parking spaces, for a total cash consideration of approximately \$9.0 million. The transaction was conducted on an arm's-length basis based on due diligence procedures performed by management to ensure that it was transacted at fair value. The transaction was completed on March 28, 2013 and the full payment was received on April 2, 2013. We recorded a gain on sale of property of \$4.5 million resulting from this transaction in our consolidated income statement for the three months ended March 31, 2013.

With intent to realign our real estate property holding position, we decided to dispose of one of our commercial properties that was vacant. Accordingly, on April 27, 2013, we entered into a sale and purchase agreement for the sale of 1,939.38 square meters of office space on the 46th floor of a building in Shenzhen, China known as Excellence Times Square, for a total cash consideration of approximately \$19.6 million. The full payment of the purchase price was received on May 3, 2013. We recorded a gain on sale of property of \$11.0 million and related taxes of \$2.3 million resulting from this transaction in our consolidated income statement for the three months ended June 30, 2013. The proceeds from the sale of this property have been remitted out of China by way of capital reduction of the property-owning subsidiary to the shareholding company.

Management reviewed the usage of the office space as at December 31, 2011 and again as at December 31, 2012 and, based on the Company's intention, the portion of our properties that is designated to generate rental income in the short to medium term has been re-classified as Investment Properties. The net book value of the portion of these properties classified as Investment Properties as at December 31, 2013 and as at December 31, 2012 was \$89.6 million and \$97.4 million respectively. The total net book value of these office properties including the portion classified as Investment Properties and the portion classified under Property and Equipment as of December 31, 2013 and as of December 31, 2012 was \$134.5 million and \$122.8 million, respectively. The total market value of the office properties held as of December 31, 2013 and December 31, 2012 was \$229.4 million and \$219.7 million, respectively, based on independent valuation reports prepared by Savills Valuation and Professional Services Limited, Hong Kong. We did not record the market valuation gains as we record our Property and Equipment and Investment Properties at cost less the accumulated depreciation.

We invest our excess cash in term deposits with commercial banks, U.S. Treasury securities and available-for-sale securities to generate income from interest received as well as capital gains, while the funds are held to support our business.

Generally, we hold securities with specified maturity dates such as Treasury Bills until their maturity. We invest excess cash on hand in U.S. Treasury Bills, in term deposits with major banks and available-for-sale securities to generate interest income. The market values of our U.S. Treasury Bills, term deposits with banks and other available-for-sale securities as at December 31, 2013 were \$13.2 million, \$98.1 million and \$6.4 million, respectively compared to the market values of our U.S. Treasury Bills, term deposits with banks and other available-for-sale securities as at December 31, 2012 of \$13.3 million, \$76.3 million and \$7.5 million, respectively. We do not engage in buying and selling of securities with the objective of generating profits on short-term differences in price or for other speculative purposes. Our objective is to invest to support our capital preservation strategy.

We hold a Documentary Credit facility with the Hongkong and Shanghai Banking Corporation Limited, for providing documentary credits to our suppliers. This facility has a maximum limit of approximately \$0.6 million. As at December 31, 2013, the unutilized amount under this facility was approximately \$0.6 million. Hongkong and Shanghai Banking Corporation Limited has also provided a guarantee on our behalf to our suppliers. As at December 31, 2013, such guarantee amounted to \$0.003 million.

During the first quarter of 2007, we entered into a number of venue license agreements for our exhibition events amounting to \$44.4 million in payments over five and a half years. In 2010, we entered into a number of venue license agreements for our exhibition events amounting to a gross value of approximately \$20.0 million in payments over five years. Subsequently, we signed supplemental agreements for additional space, increasing the total amount to \$20.7 million. In 2012 we signed additional agreements for a total amount of \$21.4 million. The above agreements are cancelable under force majeure or other specified conditions, or upon notice and payment of cancellation charges to the other party. The amounts paid will be expensed when the related events are held. As of December 31, 2013, we have paid approximately \$53.1 million in aggregate under these agreements.

Net cash used in financing activities was \$2.0 million during the year ended December 31, 2013, resulting from \$2.0 million payment of dividends to non-controlling shareholders by subsidiaries. Net cash used in financing activities was \$1.3 million during the year ended December 31, 2012, resulting from \$1.3 million payment of dividends to non-controlling shareholders by subsidiaries.

On February 4, 2008, our Board of Directors authorized a program to buy back up to \$50.0 million of common shares. We may, from time to time, as business conditions warrant, purchase shares in the open market or through private

transactions. The buyback program does not obligate us to buy back any specific number of shares and may be suspended or terminated at any time at management's discretion. The timing and amount of any buyback of shares will be determined by management based on its evaluation of market conditions and other factors. As of December 31, 2013, we have not bought back any of our shares under this program.

In March 2012, we acquired an 80% interest in Haoji Group Limited which, through a subsidiary incorporated in Hong Kong, owns 100% of Huanyu Shishang Exhibition (Shenzhen) Co., Ltd, a company incorporated in China, that organizes and hosts the FashionSZshow (formerly known as China (Shenzhen) International Brand Clothing & Accessories Fair), one of the largest fashion shows in Asia, for a total consideration of up to approximately \$17.0 million, comprising an initial cash consideration of approximately \$12.7 million that was paid upon completion of the transaction, and an additional cash consideration of approximately \$4.3 million that was paid in February 2013 upon certain performance related conditions having been fulfilled. During the second quarter of 2013, management performed an impairment review which revealed a shortfall in the future cash flows to support the recoverability of the

FashionSZshow business. Based on the review, we recorded a \$2.5 million goodwill impairment charge in the general and administrative costs in the second quarter of 2013. Management performed an annual impairment review as at December 31, 2013 which revealed a slower sales trend and further shortfall in the future cash flows to support the recoverability of the carrying value of the FashionSZshow business. Based on the review, we recorded a \$2.5 million goodwill impairment charge and a \$3.5 million trademark intangible assets impairment charge in the general and administrative costs in the fourth quarter of 2013. In addition, on October 1, 2013, the management reviewed the useful lives of the trademark intangible assets of the FashionSZshow business taking into account the downward trend in the fashion industry sector in China and revised the useful lives of the trademark intangible assets to seven years from the original seventeen years. The effect of this change in the accounting estimate was recognized prospectively from October 1, 2013. We recorded additional amortization expense of \$0.5 million during the fourth quarter of 2013 resulting from the change in accounting estimate. The net book values of the intangible assets and goodwill relating to the FashionSZshow business as at December 31, 2013 were \$13.6 million and \$nil, respectively.

The Shenzhen International Machinery Manufacturing Industry Exhibition and its related shows (the “SIMM Events”) currently consist of two groups of co-located trade shows: (a) the Shenzhen International Machining Automation Exhibition and (b) the Shenzhen International Metal Forming Machine Tool & Mould Exhibition (collectively, the “Group A SIMM Events”); and (b) the Shenzhen International Metal Cutting Machine Tool Exhibition (the “Group B SIMM Events”). We entered into an agreement in April 2013 to acquire a 70% interest in the Group A SIMM Events and a 56% effective interest in the Group B SIMM Events, for a total consideration of approximately \$16.6 million. We paid an initial deposit of \$2.1 million in the third quarter of 2013. The balance cash consideration of \$14.5 million is payable in several installments over the next four years upon certain conditions being fulfilled. In addition, there is a potential obligation to pay an additional not more than approximately \$1.2 million for transaction cost, which will be expensed upon payment. We expensed \$0.2 million legal and other costs relating to this acquisition in 2013. In order to reduce our exposure to potential rental cost increases, and to secure office space for our continued and uninterrupted operational use, we have signed a sale and purchase agreement on January 20, 2014 for the purchase of commercial property on the eighth floor of No. 1 Sims Lane, Singapore, with a total gross floor area of approximately 22,496.50 square feet, together with appurtenant roof top accessory lots above the eighth floor, which we currently lease for operational use for total consideration of approximately \$13.1 million. The transaction was completed on February 10, 2014 and the total purchase consideration has been paid by us.

On March 11, 2014, our board of directors authorized the repurchase of up to 5,000,000 of our issued and outstanding common shares by tender offer at a purchase price of \$10.00 per share. The total purchase consideration for this tender offer will be up to \$50.0 million. We expect to fund this share repurchase from our cash balance on hand. The offer is expected to commence before the end of April 2014 and is expected to be completed by the end of May 2014. We will hold the repurchased shares as treasury shares.

The following table summarizes our contractual obligations as of December 31, 2013:

	Payments due by period (in U.S. Dollars Thousands)				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<b>Contractual Obligations</b>					
Operating leases	\$684	\$599	\$85	-	-
Purchase obligations (including venue license/rental obligations)	\$34,850	\$11,582	\$23,268	-	-
	\$5,660	-	\$5,660	-	-

Deferred income and customer prepayments -  
long term

Total	\$41,194	\$12,181	\$29,013	\$-	\$-
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Provision for taxes have not been included in the above table because the periods of cash settlement with the respective tax authority cannot be reasonably estimated.

Deferred income and customer prepayments – long term have been included as the Company can be obliged to refund certain customer prepayments under certain circumstances.

We anticipate that our cash and securities on hand and expected positive cash-flows from our operations will be adequate to satisfy our working capital needs, capital expenditure requirements and cash commitments for the next 12 months. However, looking to the long term, we may raise additional share capital, sell debt securities, or obtain credit facilities as and when required to further enhance our liquidity position, and an issue of additional shares could result in dilution to our shareholders.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have a material effect or are reasonably likely to have a material future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

#### Recent Accounting Pronouncements

New standards, amendments and interpretations issued that are effective for the financial year beginning on or after January 1, 2014;

Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. We adopted Amendments to IAS 36 for the accounting period beginning on January 1, 2014 and the adoption of this standard is not expected to have a significant impact on our financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The transitional provisions governing the switch to IFRS 9 have changed as a result of amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures. These amendments have postponed the date for mandatory first-time adoption to accounting periods beginning on or after January 1, 2018. Accordingly, we will adopt IFRS 9 when it becomes applicable. We will assess the impact on our financial statements, if any, when the final standard is announced.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on our group.

#### Non-IFRS Measures

In our press releases on our quarterly financials, we provide non-IFRS financial measures and IFRS to non-IFRS reconciliation tables to supplement our financial information presented in accordance with IFRS.

The non-IFRS financial measures that we use in our press releases on our quarterly financial information are the following:

“Non-IFRS Net Profit” is defined as IFRS net profit excluding non-cash stock based compensation expense or credit, amortization of intangible assets relating to certain non-compete agreements, gains or losses on acquisitions and investments, and/or impairment charges.

“Non-IFRS diluted net profit per share” is defined as Non-IFRS Net Profit divided by the weighted average of diluted common shares outstanding.

We believe that non-IFRS metrics are useful measures of operations because these help investors to understand and compare business trends among different reporting periods on a consistent basis, independently of share-based compensation and items non- indicative of recurring operating activities. Thus non-IFRS financial metrics enable investors to assess our operating results in a manner that is focused on the performance of our ongoing operations.



Readers should not place undue reliance on non-IFRS financial measures or regard them as a substitute for the nearest IFRS measures. Further, these non-IFRS financial measures may not be comparable to similarly titled measures used by other companies.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth information regarding the persons who are our executive officers and directors as of the date of this Annual Report.

Name	Age	Position
Merle Allan Hinrich	72	Director and Executive Chairman
Spenser Au	59	Chief Executive Officer
Connie Lai	40	Chief Financial Officer
Brent Barnes	41	Chief Operating Officer
Peter Zapf	45	Chief Information Officer
Sarah Benecke	57	Director
Eddie Heng Teng Hua	63	Director
Roderick E. Chalmers	66	Director
David F. Jones	49	Director
James A. Watkins	68	Director
Yam Kam Hon Peter	67	Director

Mr. Hinrich has been a director since April 2000 and is currently our Executive Chairman. He was our Chief Executive Officer from April 2000 to August 2011. A co-founder of the business, he was the principal executive officer of our predecessor company, Trade Media Holdings Limited, a Cayman Islands corporation wholly owned by us (“Trade Media”), from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrich was chairman of the ASM Group, which included Trade Media. Mr. Hinrich is a director of Trade Media and has also been the Chairman of the Board of Trade Media. Mr. Hinrich graduated from the University of Nebraska and the Thunderbird School of Global Management (“Thunderbird”). Mr. Hinrich is a member of Tsinghua University International Advisory Board for China’s first-ever English-language Global Business Journalism program and an advisor to the Hong Kong Baptist University. After 22 years of service, he retired from the board of trustees of Thunderbird. He is a board member of the Economic Strategy Institute in Washington, D.C., co-founder and former chairman of The Society of Hong Kong Publishers, and the chairman of the council of members of the Hinrich Foundation. He is also an investment Promotion Ambassador with Invest Hong Kong. His term as director expires in 2015.

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

Ms. Lai was appointed as our Chief Financial Officer effective August 2010. Ms. Lai joined Global Sources in June 2007 as financial controller, Hong Kong & China. Prior to joining Global Sources, she was chief financial officer and an executive director of HC International, Inc., a Hong Kong listed company. Earlier in her career, she spent over four

years with PricewaterhouseCoopers (“PwC”) Hong Kong. Ms. Lai graduated from the Chinese University of Hong Kong with a bachelor's degree in professional accountancy. She is also a Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Barnes was appointed as our chief operating officer in January 2012. Mr. Barnes is responsible for the company's worldwide operations, including community development, content development, 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.

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

Ms. Benecke has been a director since April 2000 and, since 1993, has been a director of Trade Media. Ms. Benecke was our principal executive officer from January 1994 through August 1999. She joined us in May 1980 and served in numerous positions, including publisher from 1988 to December 1992 and chief operating officer in 1993. From September 1999 to July 2010, Ms. Benecke served as a consultant to Publishers Representatives Ltd. (Hong Kong), a subsidiary of our company. Her consulting work focused largely on the launch, development and expansion of the "China Sourcing Fairs" in Shanghai, Hong Kong, Mumbai, Dubai, Singapore and Johannesburg. Ms. Benecke is also on the boards of Australian media company, McPherson Media, and Hong Kong art show organiser, Asia Contemporary Art Ltd. She graduated with a B.A. from the University of New South Wales, Australia. Her term as director expires in 2016.

Mr. Heng has been a director since April 2000. He joined us in August 1993 as deputy to the vice president of finance and was the Chief Financial Officer (previously titled vice president of finance) from 1994 until June 30, 2009. Mr. Heng returned to serve as Interim Chief Financial Officer from June 30, 2010 until August 1, 2010. He received an MBA from Schiller International University in London in 1993, is a Singapore Chartered Accountant, a member of the Institute of Singapore Chartered Accountants, and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. Mr. Heng is currently an audit committee member of Prison Fellowship Singapore, a Christian non-profit organization that provides counseling and skills training to prisoners and financial support to their families. Prior to joining us, he was the regional financial controller of Hitachi Data Systems, a joint venture between Hitachi and General Motors. His term as director expires in 2016.

Mr. Chalmers has been a director since October 2000. He was chairman, Asia-Pacific, of PricewaterhouseCoopers LLP and a member of PwC's Global Management Board from 1998 until his retirement in July 2000. He is a 30-year veteran with PwC's merger partner Coopers & Lybrand with specialist experience in the financial services industry. He has at various times been a non-executive director of the Hong Kong SAR Securities and Futures Commission, a member of the Takeovers and Mergers Panel, and chairman of the Working Group on Financial Disclosure. He is currently a director of Gasan Group Limited (Malta), and Simonds Farsons Cisk Limited (Malta). He was the Chairman of the Board of Directors of the Bank of Valletta plc from 2004 until his retirement from that position in 2012. His term as director expires in 2015.

Mr. Jones has been a director since April 2000. He is the CEO of the Australian Clean Energy Finance Fund, a solar energy financing business. From August 2011 to February 2013, Mr. Jones was with Better Place Inc., a global electric vehicle services provider, where he was Vice President Global Corporate Development and Strategy. He spent the previous 17 years in the private equity industry, and before that he was in management consulting, investment banking and general management. Mr. Jones was Managing Director of CHAMP Private Equity, a leading Australian buyout firm from 2002 to 2011. In 1999, he founded and, until 2002, led the development of UBS Capital's Australian and New Zealand business. Prior to that, he spent four years with Macquarie Direct Investment, a venture capital firm in Sydney, Australia, and one year at BancBoston Capital in Boston, Massachusetts. Mr. Jones began his career as a consultant with McKinsey & Company in Australia and New Zealand. He left McKinsey to take the role of general

manager of Butterfields Cheese Factors, of the King Island Dairies group. He is a director of EC English Pty Ltd, EMR Capital Pty Ltd and The National Museum of Australia. He was previously Chairman of the Australian Venture Capital Association Limited and a director of various listed and unlisted companies in Australia. Mr. Jones holds a Bachelor of Engineering (First Class Hons.) from the University of Melbourne and a Master of Business Administration from Harvard Business School. His term as director expires in 2014.

Mr. Watkins was appointed as a casual director, (see “Election or Removal of Directors” under Item 10 for a description of a “casual director”) on February 28, 2005 and was elected as a director at our annual general meeting on May 9, 2005. Mr. Watkins was a director and group general counsel of the Jardine Matheson Group in Hong Kong from 1997 until 2003. He was group legal director of Schroders plc in 1996 to 1997 and of Trafalgar House plc from 1994 to 1996. He was previously a partner and solicitor in the London and Hong Kong offices of Linklaters from 1975 to 1994. He currently is a non-executive director of Mandarin Oriental International Ltd., Jardine Cycle & Carriage Ltd., Advanced Semiconductor Manufacturing Corporation Ltd., IL&FS India Realty Fund II LLC, Asia Satellite Telecommunications Holdings Ltd. and Hongkong Land Holdings Ltd., and is a member of the audit committees of Jardine Cycle & Carriage Ltd. and Asia Satellite Telecommunications Holdings Ltd. and the chairman of the audit committee of Advanced Semiconductor Manufacturing Corporation Ltd. Mr. Watkins has a law degree from the University of Leeds (First Class Hons.). His term as director expires in 2014.

Mr. Yam was first appointed as a director at our annual general meeting of shareholders on June 22, 2011. Mr. Yam joined Emerson (NYSE: EMR) in 1986 and is currently an advisor to Emerson Electric Asia-Pacific after he retired as president of Emerson Greater China and chairman of Emerson Electric (China) Holdings Co., Ltd in April 2008. For more than two decades, Mr. Yam played a key role in leading Emerson’s investments in China. Mr. Yam holds a bachelors degree in electrical engineering from the University of Hong Kong and an Executive MBA from the University of Chicago. He is also currently an adjunct professor of The Chinese University of Hong Kong’s Faculty of Business Administration Department of Management, a member of the College Council and the Board of Governors of the Centennial College, Hong Kong, and a council member of the Asian Corporate Governance Association. Mr. Yam was previously a member of the Suzhou Industrial Park International Advisory Committee from 2001 to 2008, a director of the Executive Committee of Foreign Investment Companies in Beijing from 2003 to 2008, a non-executive director of Sun Life Hong Kong Limited and affiliates from 2003 to 2010 and a member of the Board of Directors of the Hong Kong Science & Technology Parks Corporation from 2001 to 2006, and he also previously served as a vice-president of the American Chamber of Commerce in Hong Kong, a visiting professor of Nanjing University’s School of Business and a visiting professor of Jiangmen Polytechnic in China. His term as director expires in 2014.

#### Compensation

For the year ended December 31, 2013, we and our subsidiaries provided our eleven directors and executive officers as a group aggregate remuneration, pension contributions, allowances and other benefits of approximately \$3,558,660 (2012: \$2,912,170; 2011: \$3,835,639) including the non-cash compensation of \$998,371 (2012: \$717,544; 2011: \$1,464,528) associated with the ECPs.

In 2013, we and our subsidiaries incurred \$363,506 (2012: \$43,404; 2011: \$59,025) in costs to provide pension, retirement or similar benefits to our respective officers and directors pursuant to our retirement plan and pension plan.

#### Employment Agreements

We have employment agreements with Mr. Merle A. Hinrich under which he serves as our executive chairman. The agreements contain covenants restricting Mr. Hinrich’s ability to compete with us during his term of employment and preventing him from disclosing any confidential information during the term of his employment agreement and for a further period of three years after the termination of his employment agreement. In addition, we retain the rights to all trademarks and copyrights acquired and any inventions or discoveries made or discovered by Mr. Hinrich in the course of his employment. Upon a change of control, if Mr. Hinrich is placed in a position of lesser stature than that of a senior executive officer, a significant change in the nature or scope of his duties is effected, Mr. Hinrich ceases to be a member of the board, or if there is a breach of those sections of his employment agreements relating to

compensation, reimbursement, title and duties or termination, we are liable to pay Mr. Hinrich a lump sum cash payment equal to five times the sum of his base salary prior to the change of control and the bonus paid to him in the year preceding the change of control. The agreements may be terminated by either party by giving six months' notice.

We have employment agreements with each of our other executive officers. Each employment agreement contains a non-competition provision preventing the employee from undertaking or becoming involved in any business activity or venture during the term of employment without notice to us and our approval. The employee must keep all of our proprietary and private information confidential during the term of employment and for a period of three years after the termination of the agreement. We can assign the employee to work for another company if the employee's duties remain similar. In addition, we retain the rights to all trademarks and copyrights acquired and any inventions or discoveries made or discovered by the employee during the employee's term of employment. Each employment agreement contains a three or six-months' notice provision for termination, and does not have a set term of employment. Bonus provisions are determined on an individual basis.

### Board Practices

Our Board of Directors consists of seven members, the terms of which expire on the basis of one-third of the board retiring by rotation at each annual general meeting of shareholders. Each director holds office until his or her term expires as aforesaid, and he or she is then subject to re-election as a director at the respective annual general meeting for a further term which will subsequently expire on the same basis. Executive officers serve at the discretion of the Board of Directors. Our executive officers have, on average, 22 years of service with us. Six non-executive directors receive a cash fee of \$15,000 per year, plus an additional \$4,000 for each board meeting attended. Non-executive directors who are members of the audit committee also receive a cash fee of \$5,000 per year.

### Committees of the Board of Directors

We have established an audit committee and an executive committee of our Board of Directors. The audit committee recommends the appointment of auditors, oversees accounting and audit functions and other key financial matters of our company. The audit committee meets at least four times a year. David Jones, Roderick Chalmers, James Watkins and Eddie Heng are the members of the audit committee and the Board of Directors determined that Mr. Chalmers is an audit committee financial expert as defined under appropriate SEC guidelines. The executive committee acts for the entire Board of Directors between board meetings in respect of certain matters. Merle Hinrich, Eddie Heng and Sarah Benecke are the members of the executive committee.