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Interviews & News!

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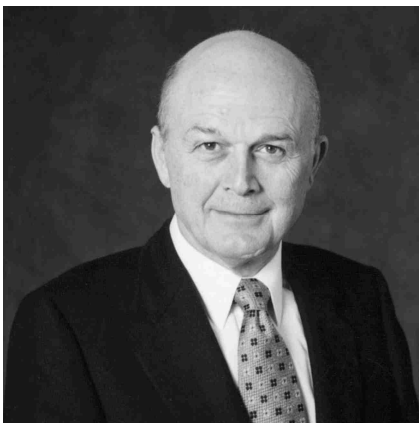
As A B2B Media Company, Global Sources Is Focused On Facilitating Two-Way Trade With China By Providing Online, Print And Trade Show Services



Technology
Internet Information Providers
(GSOL-NASDAQ)

Global Sources Ltd.

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Merle A. Hinrichs
Chairman and CEO

BIO:

Merle Hinrichs, one of the founders of the business, served as principal executive officer of Global Sources from 1971 through 1993 and resumed that position in September 1999. From 1994 to August 1999, Mr. Hinrichs was chairman of the company. Mr. Hinrichs graduated from the University of Nebraska and the Thunderbird School of Global Management.

Mr. Hinrichs is a co-founder and former chairman of the Society of Hong Kong Publishers, a member of the board of trustees of Thunderbird and a board member of the Economic Strategy Institute. Mr. Hinrichs is also a director of Global Sources Ltd.

Company Profile:

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

The company provides sourcing information to volume buyers and integrated marketing services to suppliers. It helps a community of over 635,000 active buyers source more profitably from complex overseas supply markets. With the goal of providing the most effective ways possible to advertise, market and sell, Global Sources enables suppliers to sell to hard-to-reach buyers in over 230 countries.

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

Suppliers receive more than 18 million sales leads annually from buyers through *Global Sources Online*.

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

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Hinrichs, what is your vision for the company?

Mr. Hinrichs: "At Global Sources, we are very much involved in the greater China market as a business-to-business media company. Global Sources has been in this market since 1971 and personally, I have been involved for 40 years. Our objective is to facilitate international trade by providing online, print and tradeshow services to suppliers who are exporting and manufacturing product from that part of the world. We also offer our services to suppliers elsewhere throughout Asia. About 60% of our revenue now comes from mainland China specifically, and the remainder from the rest of the world. On the buy side, we are very focused on serving buyers' needs. They include retail, wholesale, or manufacturing importers and we help them identify products and suppliers that can meet their requirements."

CEOCFO: Where are the areas of growth and what are some of the newer ways that you are focusing on them?

Mr. Hinrichs: "In October, we are launching the next generation of our flagship online marketplace at global-sources.com. The site will offer buyers two major advantages. First, it is a vertical search engine, which will deliver the

largest selection of export suppliers and products anywhere on the web. Secondly, it will enable buyers to identify 'verified suppliers' who have all been pre-qualified through face-to-face visits and capability assessments."

In addition, with online services becoming increasingly a commodity, one of the more important services we have expanded in recent years is a tradeshow service. In international trade, most orders are for container loads, which buyers do not buy online since they need to meet with suppliers and ensure that they have the ability to fulfill their needs. We also have geographic growth because there is an increasing amount of export activity in areas like India and Vietnam – and growth from product development in the form of new verticals such as sports and leisure, and security products."

CEOCFO: What is special about the tradeshows that you facilitate?

Mr. Hinrichs: "There are tradeshows in many countries, but we focus on suppliers who have the abilities to meet international product standards. We work closely with these suppliers to help them communicate their unique selling points. We spend a great deal of time prompting them on what they need to do in terms of booth preparation and presentation at the trade shows. Our largest trade shows are held at the Asia World Expo in Hong Kong, which is at the airport. Next month we will have two of the larger trade shows in the entire region for exporters with thousands of importers from all over the world attending."

CEOCFO: What is your take on the concern about the quality and safety of Chinese goods?

Mr. Hinrichs: "These incidents have been very unfortunate because of the impact on consumers, but it is also unfortunate for the trade itself. By far the majority of the product that is exported from China meets the consumer product standards of the country or the importer that is buying the product. Consumer product standards are different depending on the individual market. An example of that

being that Germany would have a different standard than that of Australia or the US. Importers themselves have to ensure the products they are importing into their jurisdictions meet the quality standards that are legally binding on them. They have to do quality control. How has it affected us? It will be positive for us. Our supplier customers now know how important it is to provide accurate and verifiable information because the buyers like Mattel and Hasbro, for example, are going to impose more strict product standards on their manufacturers than they have done in the past. Also, we expect that the October launch of our next-generation *Global Sources Online* (www.globalsources.com) will resonate strongly with both buyers and suppliers. Our new site will help buyers identify verified suppliers and it will also help suppliers who want to distinguish themselves as quality suppliers."

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CEOCFO: How is business for GSOL these days?

Mr. Hinrichs: "Business is good and business is growing. The Chinese manufacturers that had problems with their products are going to have to use marketing and advertising far more extensively than they have in the past to ensure that they are communicating the value of their product and the capability that they have as manufacturers. On the product standard issue, I think that China is doing an incredible job of trying to address this. As you know, Vice-Premier Wu Yi has been given the responsibility of personally addressing this, quite unusual for a person of her level to be appointed to this position. Secondly, China has closed hundreds of companies and fined many others for not meeting specific product standards, and are taking a pro-active role in

supporting this change, not only for an export concern, but also for a domestic concern. I must say that ultimately it comes back to the importer. As an example, when you buy a Gap garment and if that garment does not meet a particular standard, you do not blame the country where it was manufactured; you blame the Gap for not having done the quality control they should have. It all comes full circle back to the importer and that importer may be a manufacturer or a wholesaler or a retailer."

CEOCFO: What is the effect of competition with Alibaba?

Mr. Hinrichs: "I preface any comment by saying they are not public, so I do not have access to their financials or their plans. We compete specifically with Alibaba for the budgets, which are available from the exporters and manufacturers wanting to promote their product to global buyers. Export suppliers have three primary objectives with their export marketing: lead generation, branding and differentiation from their competitors -- and meeting buyers face to face to get orders. We address all three of these supplier needs while Alibaba primarily does only the lead generation piece.

Where they compete with us is online. They do not compete with our trade shows or trade publications. In addition, their focus has been traditionally with the small and medium-sized enterprises, whereas we do not typically compete at the low end of the market."

CEOCFO: What has surprised you about dealing with China over the years of change?

Mr. Hinrichs: "It has been an absolute delight to be participating in such an in-depth way. What most business people would have seen is that it is miraculous how quickly China has come along in terms of its participation in world trade. That has been in part largely to do with the assistance of foreign direct investment, which has been huge. In fact, approximately 60% of China's exports are from foreign invested companies whereas

Japan and Korea built their exports in a more organic way. China has done it in a more inorganic way and has done a phenomenal job of leveraging not only the financial assets of foreign enterprises, but also all of the training and the management and the marketing, which comes along with those kinds of organizations. I have worked in many countries of the developing world, and China is indeed a first to have been able to achieve this kind of leverage to develop its economy. I think we should all take our hats off because it has been truly well done. That is probably one of the primary observations over the last ten or fifteen years. More recently, it has been their ability to handle the appreciation of the currency in a way that is maybe not acceptable to everyone, but in a way that will allow the

currency to appreciate. Everyone knows it is not going to be a major reaction like it was in Japan where a certain amount of pressure was applied and then the currency was ratcheted down; in China it is being spread over time.”

CEOCFO: Why should investors look at Global Sources and what might people overlook about Global Sources that should be paid attention to?

Mr. Hinrichs: “We have been involved in international trade for 36 years and we have been profitable for every single quarter. We have been a public company since 2000. We adhere to the highest standards of reporting; we are currently a member of the Russell 3000, and we have received a number of IR awards. I think when investors look at Global Sources

they can be assured of a quality company, well managed, with a very long and stable track record of performance in a market with huge upside and huge risks. We have been able to demonstrate we are able to negotiate those risks and provide investors with a very good return.”

CEOCFO: What should readers remember most about Global Sources?

Mr. Hinrichs: “We believe we can be viewed as a proxy for investing in trade with China. I would like your readers to take an opportunity to visit our website at www.globalsources.com, which will give them a much better understanding of Global Sources. Also I welcome them to attend one of our big trade shows in Hong Kong each April and October.”



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