

Dear Shareholders:

September 30, 2007

2006 was a turning point for Ninetowns as we addressed the challenges facing our business and began to capitalize on new opportunities. We continued to innovate and to enhance our core market-leading B2G (“business-to-government”) products and services, in addition to extensively researching the B2B (“business-to-business”) market as a part of the international trade value chain. As a major milestone in the development of our growing B2B offering of services, we made a critical investment in a leading B2B trade facilitator. Together, these developments helped us to achieve many of our objectives, but more importantly, positioned us for an exciting 2007 and beyond.

### **Core B2G Business Overview**

2006 was a critical year for us due to the strategic challenges faced by Ninetowns resulting from the provision of the free import/export e-filing software from the State Administration for Quality Supervision and Inspection and Quarantine of the People’s Republic of China (the “PRC Inspections Administration”). The PRC Inspections Administration’s free software not only prevented the license sale of our new iProcess basic version, but also significantly affected the sale of our core flagship product iDeclare and its associated services.

Despite these difficulties, I am glad to report that Ninetowns has maintained industry leadership with a dominant market share of close to 90%. In addition, our management team and employees worked very hard on various fronts to revitalize our core B2G operations. First, for the full year 2006, we increased our installed customer base to 130,000 through the sale of approximately 8,250 iDeclare packages. Second, we continued to gain iDeclare service contracts through the sale of approximately 29,000 iDeclare service contracts for the year, representing a healthy service renewal rate of about 24% at the end of the year. Finally, we assisted the PRC Inspections Administration in installing 28,500 free import/export iProcess user accounts at the end of the year. This achievement is a positive step for Ninetowns and broadens our customer base for future services and upgrades.

In 2006, we reported total net revenue of US\$19.6 million, a decrease of 36.1% compared to US\$29.7 million in 2005. Net income in 2006 was US\$5.9 million, or US\$0.17 per share on a diluted basis, representing a decrease of 69.7%, compared to that of US\$18.8 million for 2005. The reason for the revenue decrease is mainly due to the decline in sales of our core enterprise software iDeclare product and services. The reasons for the net income decrease are due to both the revenue decline and gross

margin contraction. The margin contraction is the result of the change in revenue mix where lower margin software development services revenue increased relative to the higher margin enterprise software sales. Despite these declines, we closed 2006 in a solid financial position. I am pleased to report a debt-free balance sheet, cash and term deposit balance of US\$116.1 million, as well as deferred revenue of US\$3.4 million at end of the year.

### **New B2B Business Development**

Throughout 2006, we conducted an extensive study of our existing customer base to gain a better understanding of their needs for international trade services, and to help them to increase their competitive advantage in the international trade arena. As a result, we focused our strategy on offering B2B trade services to enhance the revenue generating capabilities of our customers, in addition to the cost savings achievable through our core B2G e-filing services. In order to achieve this strategy, we will leverage Ninetowns' existing broad customer base and our unique market intelligence.

As an initial step in executing our B2B strategy, we acquired a 16.25% equity interest in Global Market Group Limited ("Global Market"), a leading Chinese B2B trade facilitator headquartered in Guangzhou for US\$5 million. Specifically, Global Market offers international marketing services to suppliers and manufacturers based in China, and integrated sourcing services to international volume buyers. I am confident that Global Market's proven B2B trade platform, coupled with Ninetowns' strong customer base and extensive domestic support and service networks, will help our customers to reduce their operating costs through the efficiencies of our core B2G e-filing services, and expand their revenue streams through the B2B trade facilitation.

### **Business Outlook**

For 2007, we expect to continue executing on iDelcare and iProcess, our core B2G enterprise packages. In addition, we expect to continue expanding our efforts in building our B2B platform. At the time of writing this letter, we have already acquired a majority stake in an advanced B2B vertical search technology company and launched our own B2B search platform. I believe the combination of our B2G and B2B operations will enhance value for our customers and shareholders, and will ultimately drive Ninetowns' long-term revenue growth and profitability.

As we prepare for the future, I am confident that our talented team will continue to turn market potential into financial success. We are enthused by the prospect of another exciting year and will focus our energy on continued execution. Finally, I

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would like to thank our shareholders, customers, suppliers, partners and employees for the tremendous support and understanding you have extended to us throughout the year.

Best wishes,



Shuang Wang  
Chief Executive Officer

