



## Second Half and Full Year 2010 Results and Operational Update Conference Call

**NASDAQ : NINE**

Investor Presentation  
June 2011

# Safe Harbor Statement

Certain statements in this presentation include forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “project” or “continue” or the negative thereof or other similar words. All forward-looking statements involve risks and uncertainties, including, but not limited to, customer acceptance and market share gains, competition from companies that have greater financial resources; introduction of new products into the marketplace by competitors; successful product development; dependence on significant customers; the ability to recruit and retain quality employees as the Company grows; and economic and political conditions globally. Actual results may differ materially from those discussed in, or implied by, the forward-looking statements. The forward-looking statements speak only as of the date of this presentation and the Company assumes no duty to update them to reflect new, changing or unanticipated events or circumstances. We urge you to read our public filings, which are available on our corporate website at [www.ninetowns.com/english](http://www.ninetowns.com/english).



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# B2G Business Updates



# B2G Enterprise Software – Continuing Services

<i>(Units Sold)</i>	1H'09	2H'09	FY2009	1H'10	2H'10	FY2010
<b>iDeclare Packages</b>	810	650	1,460	530	610	1,140
<b>iDeclare Service Contracts</b>	9,900	8,500	18,400	8,200	8,470	16,670
<b>Service Contracts to Free Software Users</b>	500	205	705	230	280	510



# Enterprise Software – Service Enhancement and Cost Reductions

## ➤ Service enhancement initiatives

- Migrating some on-site services to online services
- Automate software checking and updating

## ➤ Cost control initiatives

- Streamlining personnel levels
- Increasing operational efficiency
- Integration of resources for IT, customer services and administrative functions



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# e-Grocery Business Updates



# tootoo.cn – Food Vertical from *Farm* to *Table*

### Our advantages:

- ✓ Strict Product Purchase Guidelines;
- ✓ Well-trained Logistics Team;
- ✓ Cold Chain Storage and Delivery Equipment;
- ✓ Customer Satisfaction Guaranteed
- ✓ User-friendly Online Ordering System



# Newly Revamped Online Platform

- Carrying over 3,000 products in 20 different categories
- Diversified offering covering groceries, household goods and consumer products
- Upgraded online ordering and payment system
- Online platform services available 7\*24
- Current geographical coverage: Beijing metropolitan area



# Continued Progress in Second Half 2010

- **Successfully completed second phase of testing in 2H10**
  - ✓ Expanded product offering, including local food specialties and regional delicacies
  - ✓ Re-focusing customer base to target higher income, white collar customers in Beijing Central Business District and Central Villa area.
- **Development /testing ongoing to assess long-term viability of the initiative**



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# Financial Updates



# Key Financials: Segment Revenue

<i>(USD in thousands)</i>	US GAAP (Consolidated)				
	2H'09	1H'10	2H'10	FY2009	FY2010
<b>Total Net Revenues</b>	<b>6,041</b>	<b>5,670</b>	<b>6,130</b>	<b>11,667</b>	<b>11,954</b>
<b>Enterprise Software Revenue</b>	<b>3,965</b>	<b>3,576</b>	<b>3,849</b>	<b>8,554</b>	<b>7,522</b>
<b>Software Development Services Revenue</b>	<b>1,596</b>	<b>1,750</b>	<b>1,809</b>	<b>2,544</b>	<b>3,607</b>
<b>Food sales and services</b>	<b>480</b>	<b>344</b>	<b>472</b>	<b>570</b>	<b>825</b>
<b>Gross Margin (%)</b>	<b>70%</b>	<b>85%</b>	<b>72%</b>	<b>77%</b>	<b>78%</b>
<b>Deferred Revenue</b>	<b>1,531</b>	<b>1,342</b>	<b>1,621</b>	<b>1,531</b>	<b>1,621</b>



# Key Financials: Costs and Expenses

<i>(USD in thousands)</i>	US GAAP (Consolidated)				
	2H'09	1H'10	2H'10	FY2009	FY2010
<b>Costs of Revenues</b>	1,826	860	1,701	2,616	2,584
<b>Operating Expenses</b>	10,055	10,779	7,785	17,491	18,860
<b>Selling &amp; Marketing</b>	867	1,147	1,346	2,018	2,525
<b>General and Administrative</b>	4,963	7,982	5,364	9,088	13,565
<b>R&amp;D Expense</b>	1,082	1,171	1,175	2,546	2,378
<b>Bad Debt Provision</b>	3,143	479	(100)	3,839	392



# Key Financials: Profitability and Cash Flow

<i>(USD in thousands)</i>	US GAAP (Consolidated)				
	2H'09	1H'10	2H'10	FY2009	FY2010
(Loss)/Income from continuing operations	(105)	(858)	2,809	1,410	1,926
(Loss)/Income from discontinued operations net of income tax and non-controlling interest	(135)	(178)	123	(1,218)	(60)
Net (Loss)/Income	(240)	(1,036)	2,932	192	1,866
Net Cash (Used in) provided by Operating Activities	(2,415)	(1,230)	2,571	(3,879)	1,341
CAPEX for PP&E and Intangible Assets	(956)	(723)	(7)	(1,450)	(730)
Cash and Cash Equivalent at the end of Period	73,024	77,658	77,086	73,024	77,086



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# New Business Initiatives and Outlook

# New Property Development Initiative – Strategic Rationale

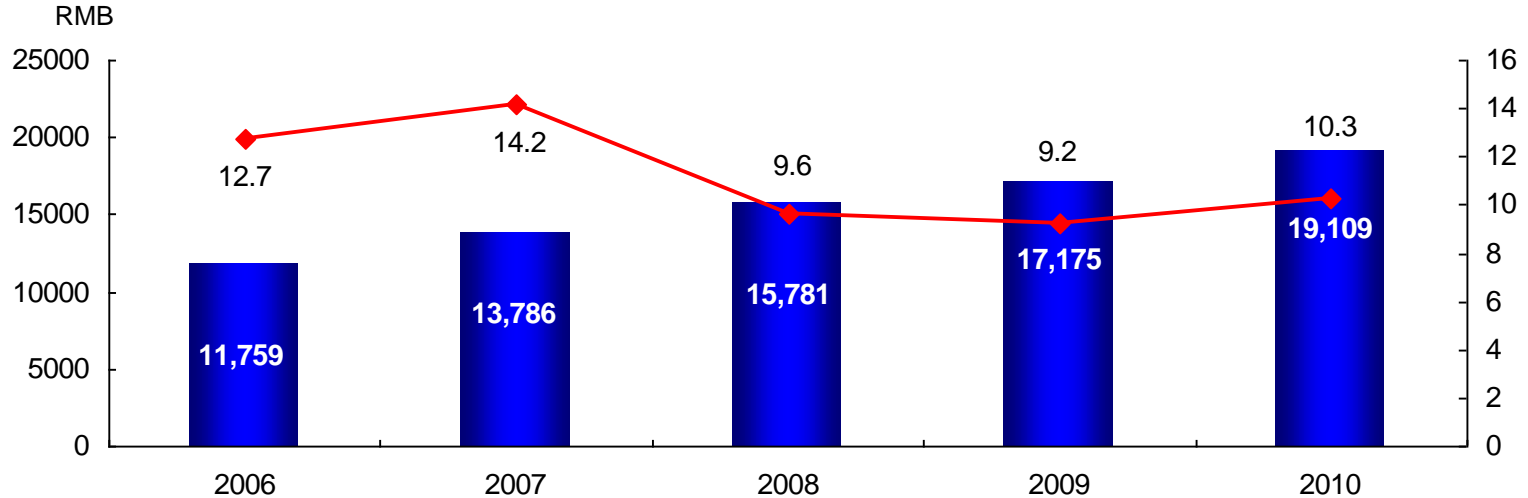
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- Powerful macro-economic environment in China;
- Long-term growing opportunities in Chinese real estate market;
- Newly emerging segment of the market integrating real estate and smarter cities;
- Over 10-year experiences in technology and IOT industry



# Steady GDP Growth and Increase in Disposable Income in China

## GDP Growth and Disposable income of Urban Residents in China



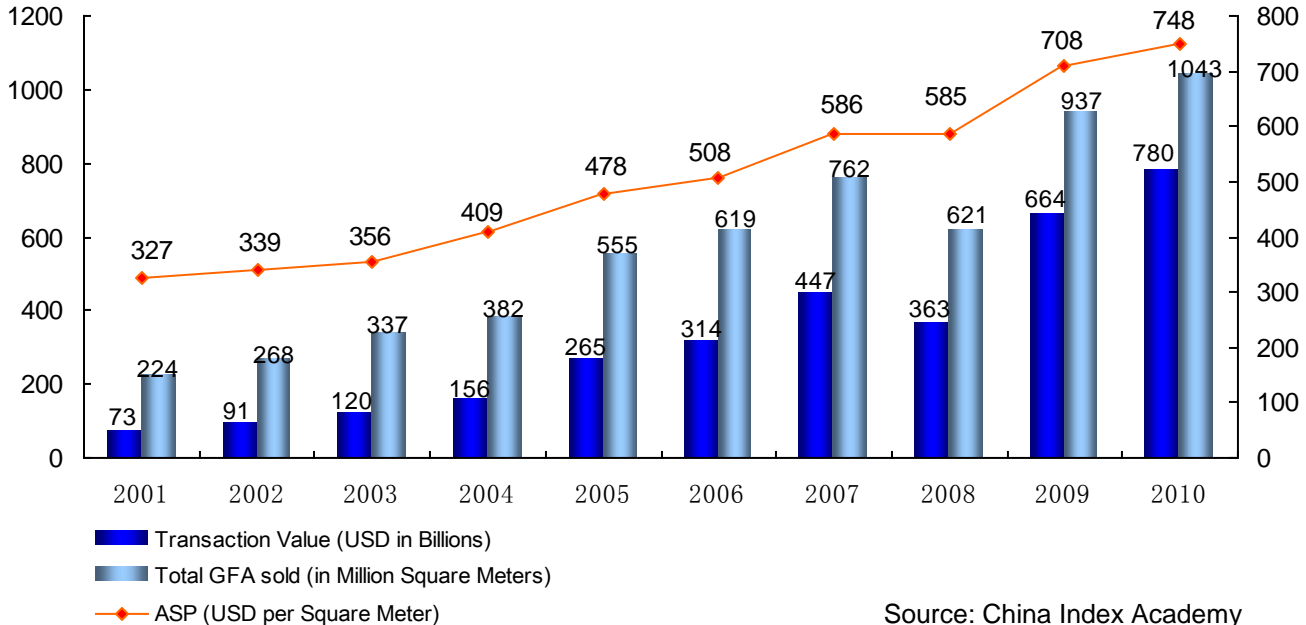
■ Per capita disposable income of urban residents

◆ GDP Growth (%)



# Fast Growing China Real Estate Market

## China Real Estate Sales Growth 2001-2010

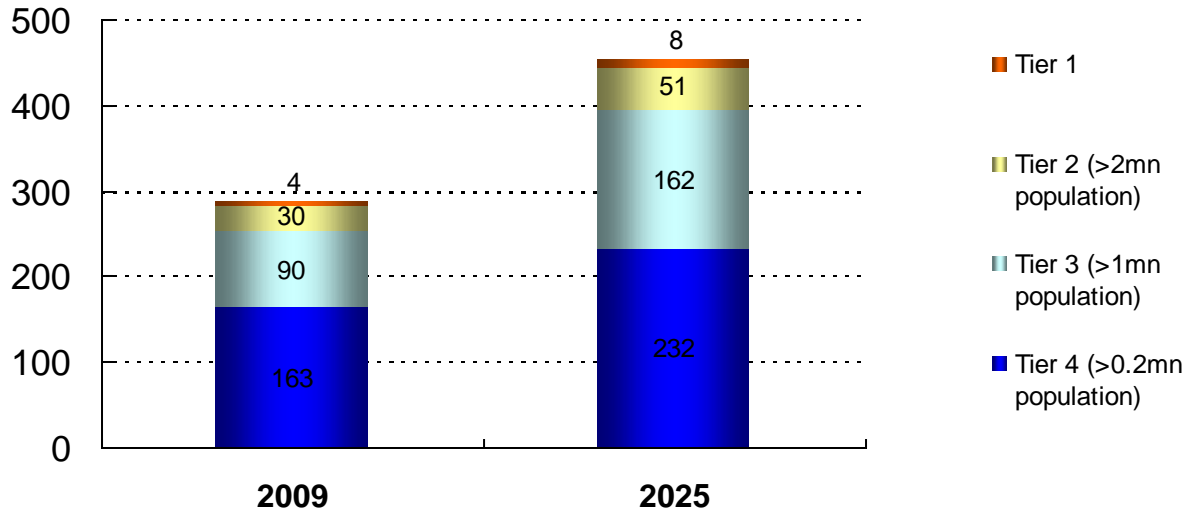


Source: China Index Academy



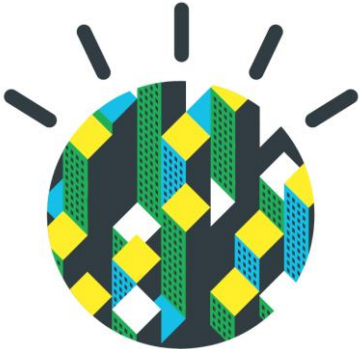
# Expansion of Tier 2, Tier 3 and Tier 4 cities in China

### Distribution by City Size



Source: CEIC, McKinsey, Jefferies estimates

# New Business Segment - The Smart City



“The Smart City” was originally coined by IBM as part of their idea of “**The Smarter Planet**”



Our world is becoming **INSTRUMENTED**



Our world is becoming **INTERCONNECTED**



Virtually all things, processes and ways of working are becoming **INTELLIGENT**

# New Business Segment - The Smart City



## INSTRUMENTED

We now have the ability to measure, sense and see the exact condition of everything.



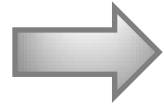
## INTERCONNECTED

People, systems and objects can communicate and interact with each other in entirely new ways.



## INTELLIGENT

We can respond to changes quickly and accurately, and get better results by predicting and optimizing for future events.



## An Opportunity

to think and act in new ways - economically, socially and technically.

# New Business Segment – Rational and Products

Ninetowns believes that

- Company's strategic use of technology in developing Smarter Cities may help to drive sustainable growth and prosperity, which are some of the challenges that today's city leaders face;
- Feasible solutions and new technologies for data management and resource coordination can help to improve allocation and usage of natural and human resources in city operations.;
- Three product models primarily in third-tier and fourth-tier cities in China.

**Intelligent Residential  
Communities**

**Smarter Senior Living  
Communities**

**e-Commerce Bio-system  
Industrial Parks**



# New Initiatives

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On March 30 2011, Ninetowns had the winning bid in a land auction held in Huainan, Anhui Province, China and received the right to acquire land use rights for a piece of undeveloped land consisting of approximately 141,000 square meters at a price of RMB1,799 per square meter, for a total consideration of approximately RMB258 million (US\$38.5 million).

## New Initiatives (cont'd)

On April 11 2011, Dalian Aviation Changzheng Technology Development Co., Ltd. (“Dalian Changzheng”), a company invested by Beijing Ninetowns Ports Software and Technology Co., Ltd. (“Ninetowns Ports”), a subsidiary of the Company, won the winning bid in a land auction held in Dalian, Liaoning Province, China and received the right to acquire land use rights for two pieces of undeveloped land located in Dalian High and New Technology Industry Park. Collectively, the two pieces of land consist of approximately 20,973 square meters, which were purchased at a price of RMB13,350 per square meter and for a total consideration of approximately RMB280 million (US\$43 million).

Ninetowns intends to develop a mixed-use real estate project on such site. The two pieces of land are permitted for commercial and residential use. The commercial land use rights and the residential land use rights will expire in 40 years and 70 years, respectively.



# Appendix



# e-Grocery: Cold Chain Delivery



Leased warehouse covering approximately 4,300 square meters, functionally divided into an ordinary temperature warehouse, refrigerated / frozen warehouse, processing workshop, office and other functional facilities.

Ordinary Temperature Shelf



Packaging Area



Frozen House



Processing Center



# e-Grocery: Cold Chain Delivery (cont'd)

Plastic Truck



Foam Box



Aluminum Foil Bag



Paper Box for non-perishable products





Self-established Team



Package for Vegetables



ISUZU cold chain Truck



Microbus



Package for Fragile Products



# e-Grocery: Satisfaction Guaranteed Services



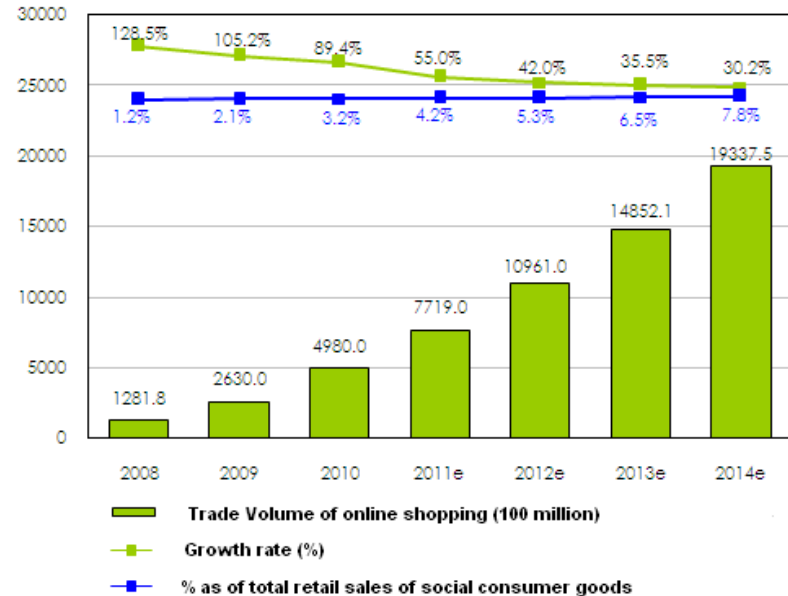
- Cold Chain services to ensure the freshness from farm to table
- 3-day Refund Policy for fresh groceries
- Promised timely delivery



# e-Grocery: Favorable Industry Trends – Growing Market Size

- China's online shopping has become a primary shopping option for younger generations
- As of 2010, the online shopping industry has been growing steadily reaching RMB498.00 billion
- Quarterly growth of B2C online shopping has grown at an accelerated rate

Trade Volume of China's Online Shopping Market, 2008-2014



Note: scale of online shopping market is the sum of C2C and B2C trade volume; scale of C2C e-commerce market is calculated by total volume of purchased commodities while B2C e-commerce market by sales volume, not include payment download of digital products, air tickets, online bill payment service, etc. and off-line sales of B2C enterprises are not included.

Source: iResearch Inc.



# e-Grocery: Favorable Industry Trends – Increasing Penetration

- A growing percentage of China’s population are now shopping online
- 30.8% of Netizens have shopped online
- The online shopping penetration is increasing, with approximately 148 million shoppers as of 2010

User Scale of China’s Online Shopping Market, 2008-2014



Note: online shopping users refer to internet users who purchase goods online at least once every 6 months.

Source: iResearch Inc.



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Thank you