

I.T. UNITED[®]

The header features the company name 'I.T. UNITED' in a bold, blue, sans-serif font. To the right of the text is a registered trademark symbol. Below the text is a decorative graphic consisting of several overlapping blue triangles and rectangles of varying shades. On the right side of this graphic, there is a small, grayscale image of a computer keyboard.

**- China Update -
&
Technology Outsourcing**

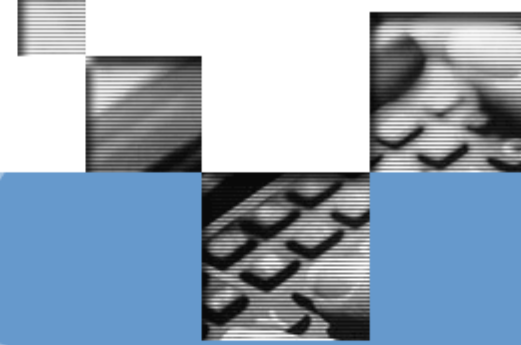
Boston November 10, 2004

**By
Cyrill Eltschinger
C.E.O. - I.T. UNITED**

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- Q&A**

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1.

Global Trends

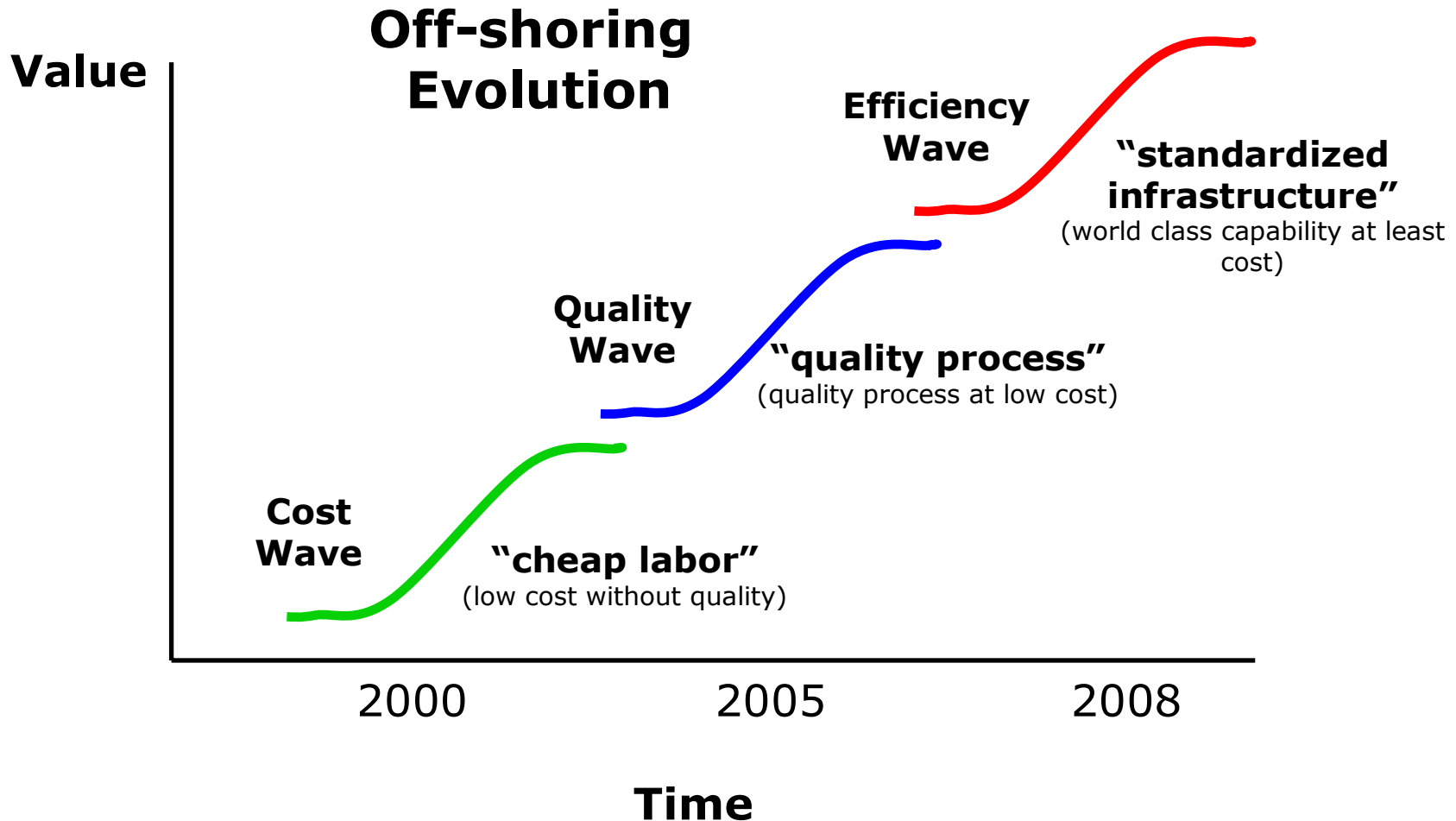
Outsourcing Takes Off in U.S. & EU

- **More than 90% of all US-based organizations outsource 1 or more activities**
- **US+EU-based companies to dramatically increase offshore outsourcing spending**
- **Appearance of offshore purchasing requirements in corporate bidding process**

Who Outsources?

- **Historically MNCs have been the primary users of outsourcing strategies**
- **Recently heavily used by SMEs, discovering competitive value of outsourcing, across industry sectors**

Off-shoring is evolving through waves of value creation



Where to Outsource?



“... Country Before Company
is our motto.”

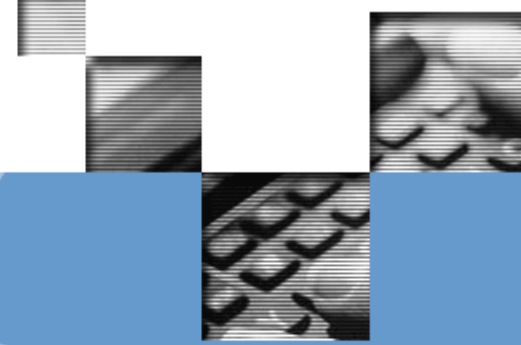
Source: Gartner Research

The Offshore Outsourcing Model

Constraints on Growth

- **Nearly 1/3 of Fortune 500 already use India-based outsourcing tech firms**
- **India: estimated 110k computer science graduates per year**
 - » Many leave to work / study abroad
 - » Rising concerns over increasing India-based high turnover issues
- **Outsourcing costs poised to rise by up to 25%, worldwide due to short supply and increased demand for skilled IS prof.**
 - » [...by end of 2004...]

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2.

China Focus

If you're not in China...
you're really
not in the game.™

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Tomorrow's Powerhouse

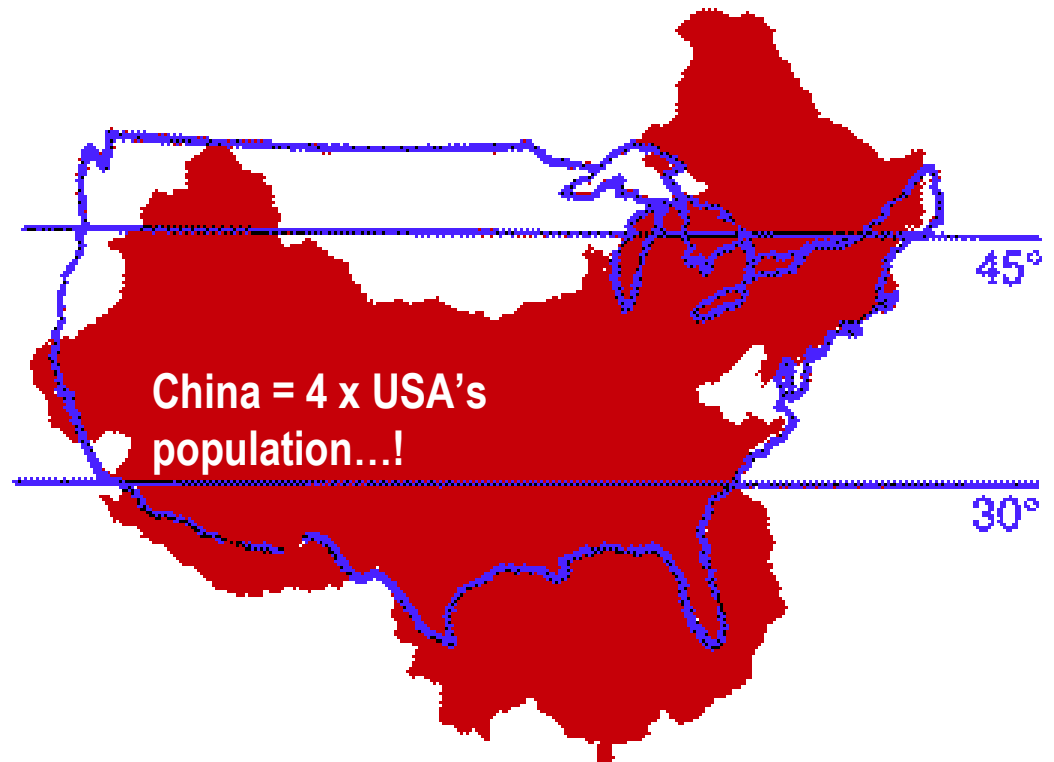
- **China's domestic market .. presents splendid opportunities and risks for enterprises bold enough to tackle this complex and difficult to understand emerging powerhouse.**
- **Many enterprises will be entering China for the first time, in an attempt to open-up new markets for their products, and will require significant resources for software development projects**

FDI Flows, China Focus

	1985-1995	1998	1999	2000	2001	2002
	(Annual average)					
China						
Inward	11,690	43,751	40,319	40,772	46,846	52,700
Outward	1,591	2,634	1,775	916	6,884	2,850
<i>Memorandum</i>						
Singapore						
Inward	4,504	7,594	13,245	12,464	10,949	7,655
Outward	1,384	380	5,397	6,061	9,548	4,082
United States						
Inward	44,434	174,434	283,376	314,007	143,978	30,030
Outward	42,571	131,004	209,391	142,626	103,764	119,741
South, East and South-East Asia						
Inward	30,108	90,093	105,313	138,698	97,604	88,613
Outward	16,501	29,852	37,087	80,614	36,907	34,225
Developing countries						
Inward	50,052	191,284	229,295	246,057	209,431	162,145
Outward	21,517	49,837	72,786	99,052	47,382	43,095
World						
Inward	180,901	686,028	1,079,083	1,392,957	823,825	651,188
Outward	203,414	683,211	1,096,554	1,200,783	711,445	647,363

China Basics

- **Slightly larger than the USA**
 - Total area: 9,596,960
- **Market of 1.3 Billion people**
- **80+% literacy**
- **Government focus on widespread English language development**



2003 Economic Performance

- **Despite SARS, GDP grew by 9.1%**
- **Fixed asset investment up by 23%**
- **Private investment up by 18%**
- **FDI down by 6% reaching \$50 billion**
- **Retail sales grew by 8%**

London-based Forecasts

C H I N A	2004	2005	2006	2007	2008	2009- 2013
GDP (%)	8.1	7.6	7.6	8.0	8.0	7.6
CPI (%)	1.9	1.7	2.1	2.7	2.7	2.3
Current Account Balance (\$b)	15.6	9.9	14.5	10.0	7.5	16.0

2020 Economic Targets

- **GDP quadruples reaching \$4 trillion**
- **\$3,000 per capita GDP, up from \$1,000**
- **7.2% annual GDP growth**

Survey: Reasons to be in China

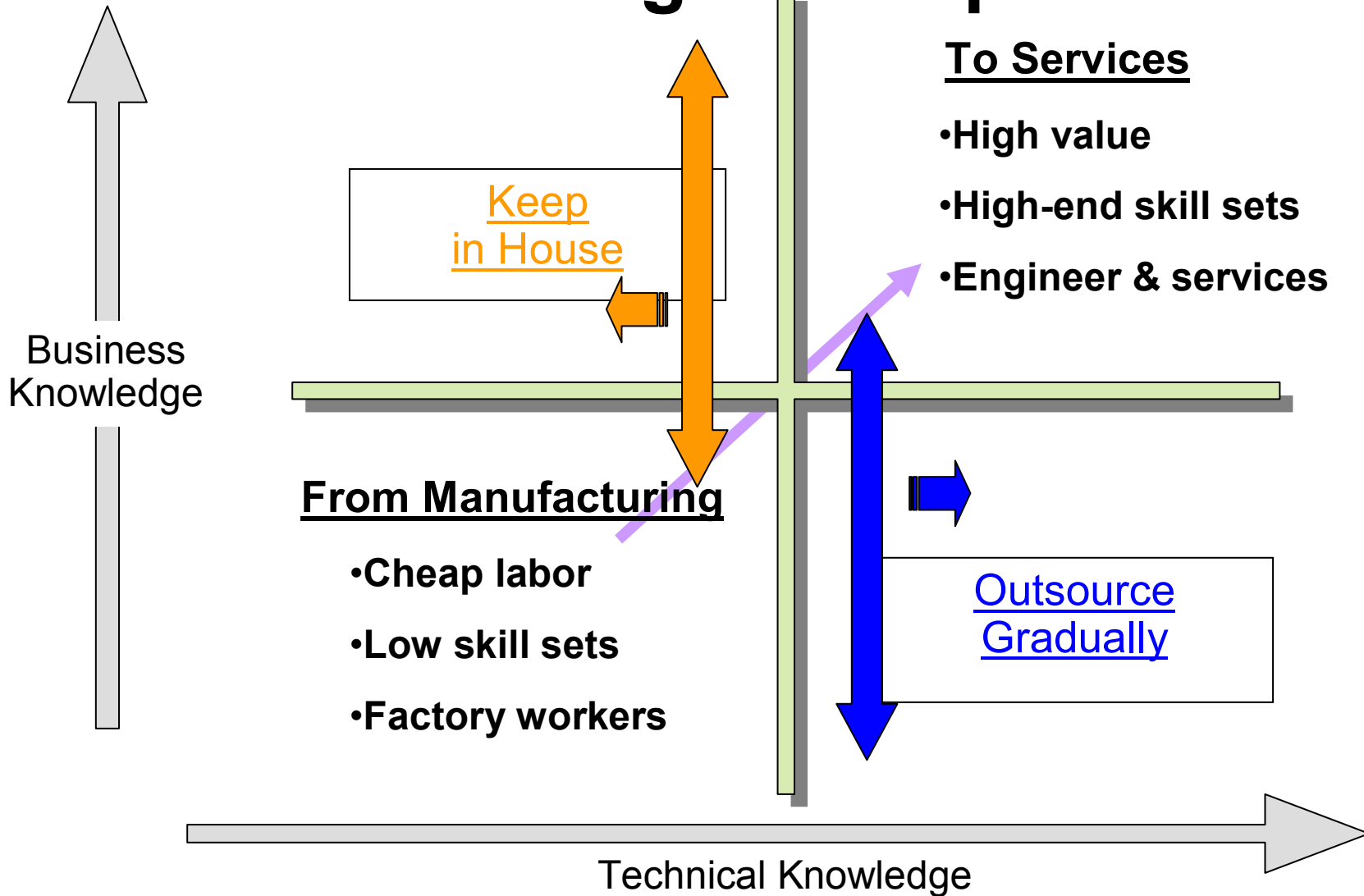
- **Potential market** (33%)
- **Company's global strategy** (27%)
- **Dominant market position** (18%)
- **Service multinational clients** (11%)
- **Low cost of operations** (8%)

Investor Friendly Rating By Provinces



	Excellent: 4.5 - 5
	Good: 4
	Medium: 3 - 3.5
	Poor: 2.5 or below

China: Maturing Marketplace

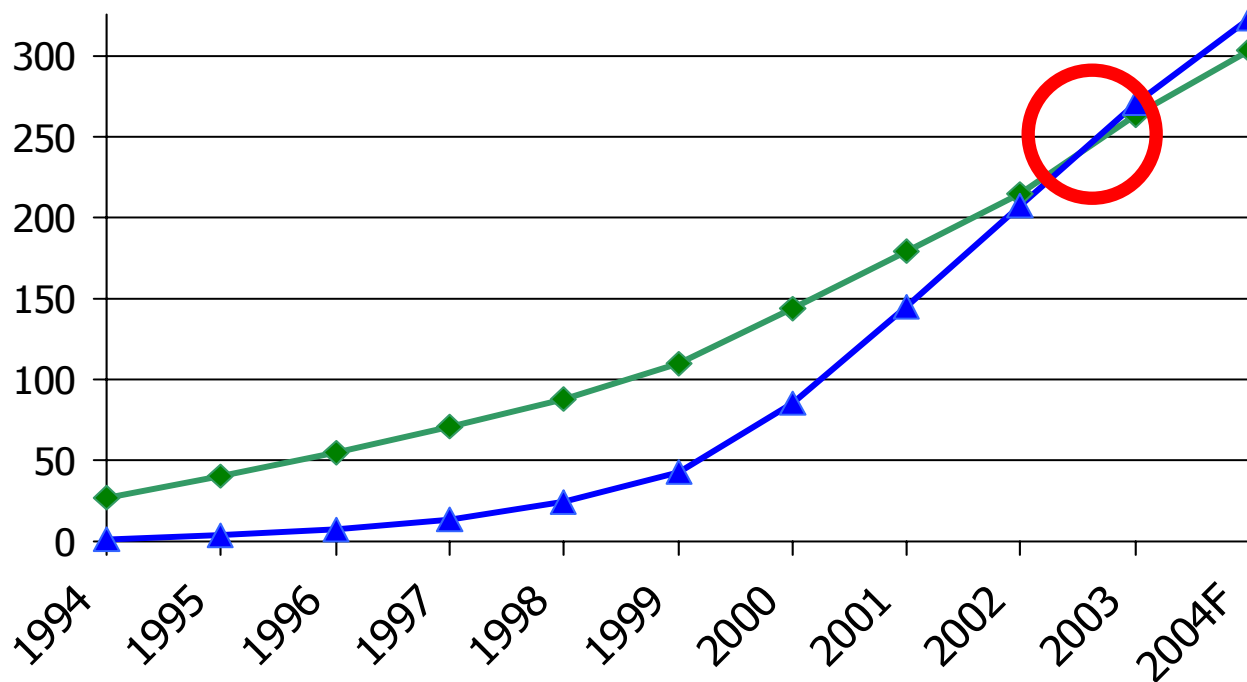


China Internet Snapshot, June-04

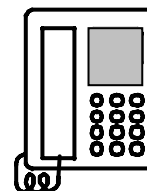
- **June-2004: 87mil Internet users**
 - (31mil broad-band users)
- **Only 6.7% of China's total population**
- **11% of the world total Internet users**
- **Currently 2nd largest user group in the World after the US**

Decade of unprecedented growth in telecom infrastructure

Million



Mobile:
July 2004
310 MM



Fixed*:
July 2004
299 MM

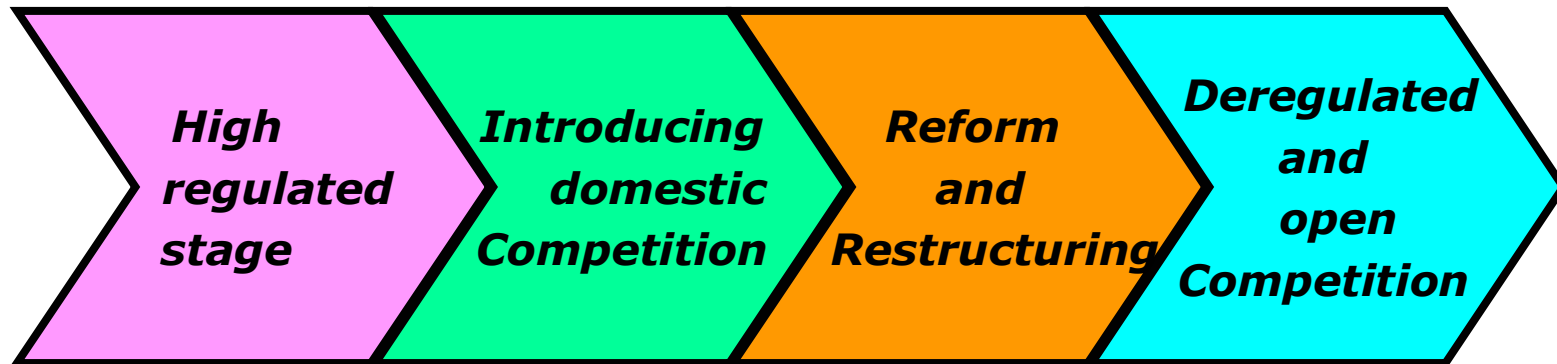
Source: MII, Aug 2004

◆ Fixed ▲ Mobile

Forecasts – MII * Fixed includes PHS/Xiaolingtong subscribers.

China's Telecom Regulation Evolution

... 1993 ... 1994 ... 1998 ... 2000 ... 2001 ... WTO ... 2002...



Phase I

Phase II

Phase III

Phase IV

**“Phase 4” - upcoming opening
for Foreign operators**

Source: France Telecom, R&D, 01-2004

3.

China Outsourcing Status

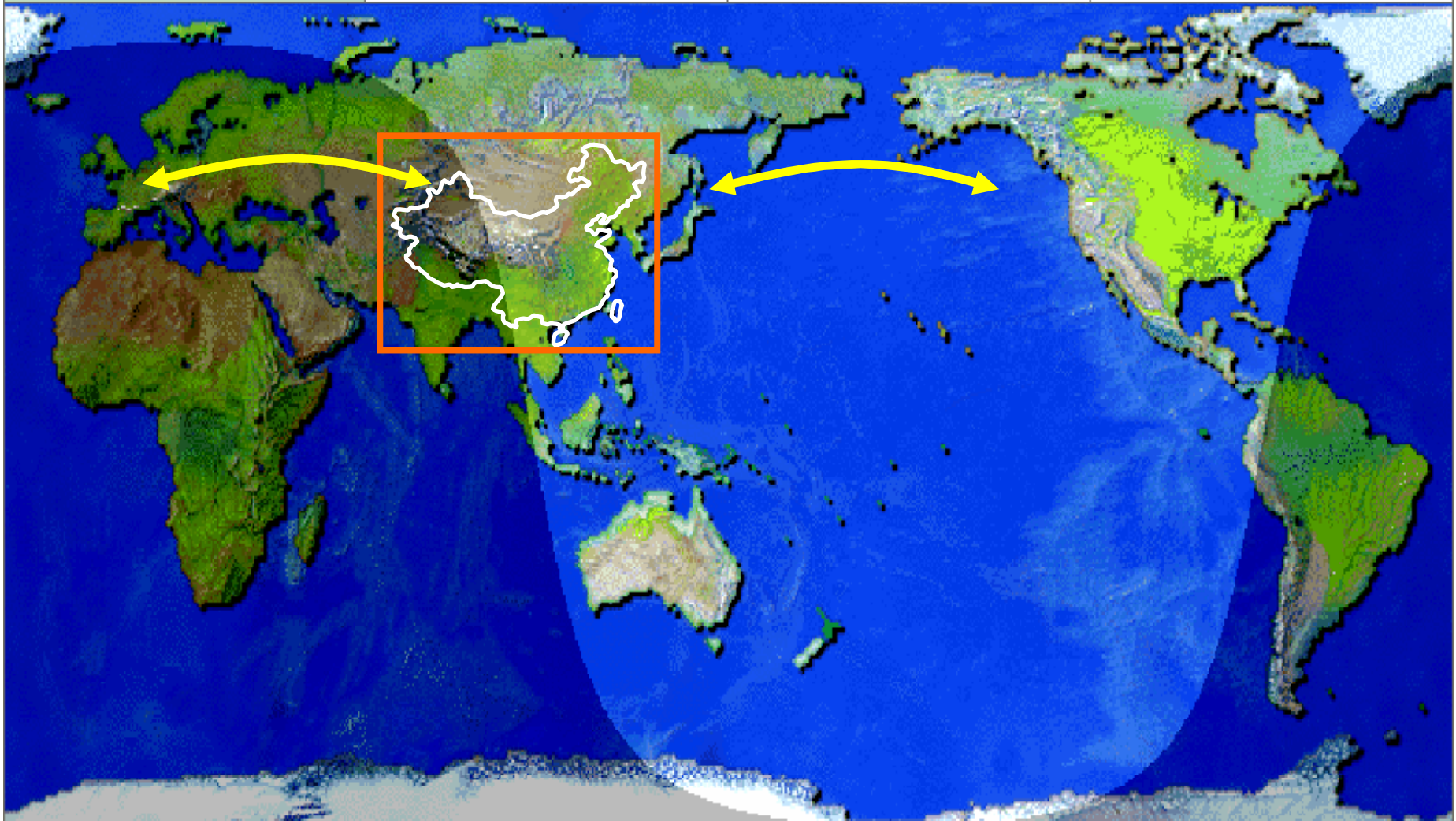
China. Your Essential Shore.™

7:07:22 AM
Thu 8/19/2004
Beijing, China

4:07:22 PM
Wed 8/18/2004
Los Angeles, CA, USA

4:07:22 PM
Wed 8/18/2004
San Francisco, CA, USA

4:07:22 PM
Wed 8/18/2004
Seattle, WA, USA



Las Vegas, NV, USA
4:07:22 PM
Wed 8/18/2004

Denver, CO, USA
5:07:22 PM
Wed 8/18/2004

Dallas, TX, USA
6:07:22 PM
Wed 8/18/2004

New York, NY, USA
7:07:22 PM
Wed 8/18/2004

The Offshore Outsourcing Model

China Rising

- **Annual software graduates output:**
 - About 40k to 50k per year until 2001; 70k in 2002
 - 140k in 2003 (Source: China Ministry of Science & Technology, 06-2004)
- **Exploding English language command**
- **Rapidly growing “world-class” infrastructure & telecommunications**
- **Recognition of qualified providers (WTO)**
- **Highest acceptance rate of the Internet**

The Offshore Outsourcing Model

China Rising

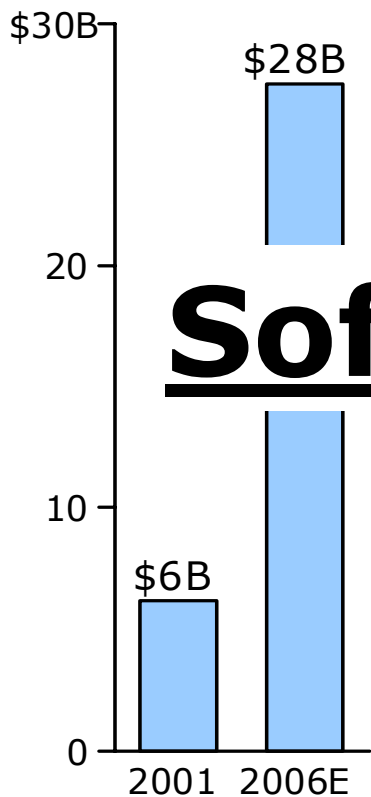
- **By 2007, Chinese to be #1 Internet language**
- **2010 projections: China to have largest...**
 - Cell phone market
 - Internet user base
 - Beer market
 - Worldwide I.T. market
 - Advertisement
 - Automotive car park
 - Commercial Aviation
 - Chemicals,, ...

Outsourcing Increasing Rapidly

India

Offshore software dev. exports

CAGR
(01-06E)

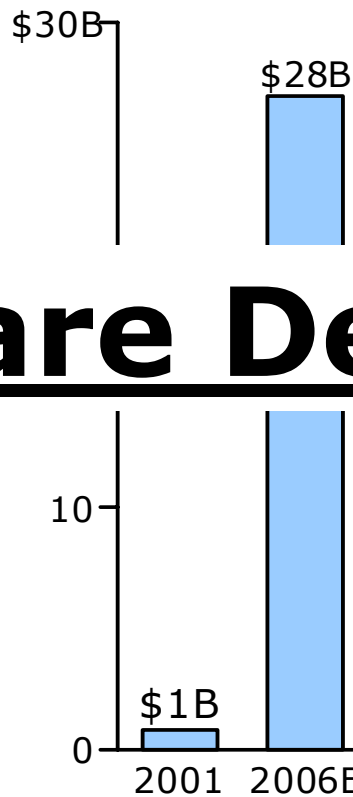


35%

China

Offshore software dev. exports

CAGR
(01-06E)



100%

Russia

Offshore software dev. exports

CAGR
(01-06E)



50%

Software Development

Battle of the Titans: CHINA INDIA

Population	1.3bil	1.07bil
Literacy rate	81.5%	52%
Foreign exchange reserves	\$412bil	\$102bil
GDP	\$1,412bil	\$552bil
I.T. spending as % of GDP (2001)	1.1%	1.68%
Software exports	\$2bil	\$9.7bil
Internet bandwidth	54Gbps	3Gbps
Installed PC base	40mil	8mil
Fixed phone lines	299mil	43.45mil
Mobile connections	310mil	39.45mil
Number of software companies	9,000+	3,000+
Domestic software sales	\$17.3bil	\$3bil
Hourly rate for developer (2yrs)	\$12-25	\$24

Gartner Research May 2002, ADP May 2004, MII August 2004, US-China Business Council Feb. 2004, IMF, Sep. 2003, indiainfoline Aug. 2004, CISA 2004, TIMES NEWS NETWORK 2003, ITU World Telecommunication Indicators Database, 2004

The Key to Succeeding in China?

- **Develop a vision of the future, beyond the next shareholder meeting... !!**
- **Establish the right partnerships from the beginning**
- **Commit for the long haul**
- **Have patience, with focus**

I.T. UNITED Overview

- ✚ **Western managed, China-based (WOFE)**
- ✚ **In China since 1998**
- ✚ **Partner to key players, Intn'l & Chinese**
- ✚ **Solid technical & creative competencies**
- ✚ **Provides total solutions to business needs**
- ✚ **Forefront of China-based tech outsourcing business model**

Products & Services Channels

- **Business applications**
- **Interactive marketing**
- **Corporate communications**
- **Systems infrastructure**
- **Business process services**



Beijing Headquarters Location

I.T. UNITED®



Look for our Billboard at the top of the Guomen Building: North-west corner of the intersection between the 3rd Ring Road and the Airport Expressway.

在机场高速路与三元桥交汇处的西北角，您可以看到爱特优科的广告牌立于国门大厦楼顶。

www.ituc.com

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Clients References Snapshot



In Short

- **Proven track record in delivering highest quality products & services to MNCs & SMEs**
- **Positioned as trusted outsourcing partner to international enterprises**
- **Business model geared to add value and leverage the Global marketplace**
- **Offers solutions with rapid deployment and cost-effective turnaround**

- Q & A -



I.T. UNITED®

Success through Partnership...



4min

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