

NINETOWNS INTERNET TECHNOLOGY GROUP CO LTD
Form 20-F/A
July 16, 2008

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

FORM 20-F/A

(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, 2007

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 _____

Ninetowns Internet Technology Group Company Limited
(Exact name of Registrant as specified in its charter)

Cayman Islands
(Jurisdiction of incorporation or organization)

22nd Floor, Building No.1,
Capital A Partners, No.20 Gong Ti East Road,
Chaoyang District Beijing 100020,
The People's Republic of China
(Address of principal executive offices)

Contact Person: Tommy Siu Lun Fork
Chief Financial Officer
Phone: +852-9021-9597
Facsimile: +852-2868-4483

Address: 22nd Floor, Building No. 1, Capital A Partners,
No.20 Gong Ti East Road, Chaoyang District Beijing 100020, China
(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
35,791,834 ordinary shares	Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

American Depositary
Shares,
each representing one
ordinary share, par
value HK\$0.025 per
share
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

35,791,834 ordinary shares, par value HK\$0.025 per

share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
 Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
 Yes No

Note -- Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
 Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

(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

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A, or Amendment No. 1, amends our annual report on Form 20-F for the year ended December 31, 2007, which was filed with the Securities and Exchange Commission on July 15, 2008. This Amendment No. 1 is being filed to correct certain clerical errors appearing in our 20-F.

Except as described above and reflected in this Amendment No.1, no part of the Registrant's 20-F filed on July 15, 2008 is being amended, and no part of the Form 20-F/A as re-filed in this Amendment No.1 reflects any event occurring after the filing of the Form 20-F and should not be viewed as updating any information contained therein.

Item 18. Financial Statements.

The consolidated financial statements for our company are included at the end of this annual report.

Exhibit Number	Description
12.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)
12.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)
13.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(b)
13.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(b)
15.1	Consent of Deloitte Touche Tohmatsu CPA Ltd.

Signatures

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf on this 16th day of July, 2008.

NINETOWNS INTERNET TECHNOLOGY GROUP
COMPANY LIMITED

By: /s/ Shuang Wang
Name: Shuang Wang
Title: Chief Executive Officer

NINETOWNS INTERNET TECHNOLOGY GROUP COMPANY LIMITED

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Board of Directors and Shareholders of
Ninetowns Internet Technology Group Company Limited

We have audited the accompanying consolidated balance sheets of Ninetowns Internet Technology Group Company Limited, its subsidiaries and variable interest entities (collectively, the "Company") as of December 31, 2006 and 2007, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007, and related financial statement schedule included in Schedule I. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As described in Note 2 to the consolidated financial statements, (1) effective on January 1, 2007, the Company adopted the recognition and measurement methods under Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109"; (2) effective on January 1, 2006, the Company changed its method of accounting for stock-based compensation to conform to Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment".

Our audits also comprehended the translation of Renminbi amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such United States dollar amounts are presented solely for the convenience of the readers.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 10, 2008 expressed an adverse opinion on the Company's internal control over financial reporting because of two material weaknesses.

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Deloitte Touche Tohmatsu CPA Ltd.
Beijing, the People's Republic of China
July 10, 2008

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NINETOWNS INTERNET TECHNOLOGY GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	Years Ended December 31,		
	2006 RMB	2007 RMB	2007 US\$
ASSETS			
Current assets:			
Cash and cash equivalent	598,648	649,863	89,088
Restricted cash	-	853	117
Short-term investments:			
Available-for-sale securities	-	10,962	1,503
Term deposits	307,209	26,000	3,564
Trade receivables from customers			
Billed, less allowance for doubtful accounts of RMB1,088 in 2006 and RMB2,412 in 2007, respectively	17,943	30,222	4,143
Unbilled, less allowance for doubtful accounts of RMB Nil and RMB Nil for 2006 and 2007, respectively	832	874	120
Trade receivables from related parties			
Billed, less allowance for doubtful accounts RMB Nil and RMB20,887 in 2006 and 2007, respectively	28,330	6,350	871
Inventories	6,820	7,011	961
Prepaid expenses and other current assets	27,653	17,059	2,339
Deferred tax assets	1,698	1,300	178
Total current assets	989,133	750,494	102,884
Property and equipment, net			
Deposits for acquisition of property and equipment	73,411	34,804	4,771
Investment in an affiliate	-	2,450	336
Investments under cost method	38,929	40,786	5,591
Acquired intangible assets, net	22,697	73,851	10,124
Other non-current asset	856	937	128
Goodwill	193,570	78,081	10,705
TOTAL ASSETS	1,365,289	1,171,180	160,555

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	Years Ended December 31,		
	2006	2007	2007
	RMB	RMB	US\$
LIABILITIES MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	14,312	19,260	2,640
Amount due to an affiliate	-	1,450	199
Advance from customers	10,321	14,461	1,982
Deferred revenue	26,383	32,472	4,452
Income taxes payable	6,334	6,520	894
Other taxes payable	2,332	1,588	218
Unrecognized tax benefits	-	832	114
Total current liabilities	59,682	76,583	10,499
Non-current liabilities			
Deferred tax liabilities	627	16,210	2,222
Total liabilities	60,309	92,793	12,721
Minority interests	-	5,483	752
Commitments (Note 17)			
Shareholders' equity:			
Ordinary shares, par value RMB 0.027(HK\$ 0.025) per share: 8,000,000,000 shares authorized; 34,991,834 shares issued and outstanding in 2006 and 2007	926	926	127
Additional paid-in capital	871,642	873,568	119,755
Treasury shares, at cost, 47,862 shares and nil share in 2006 and 2007, respectively	(1,268)	-	-
Retained earnings	394,056	145,345	19,925
Statutory reserve	47,287	64,831	8,888
Accumulated other comprehensive loss	(7,663)	(11,766)	(1,613)
Total shareholders' equity	1,304,980	1,072,904	147,082
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	1,365,289	1,171,180	160,555

See notes to consolidated financial statements.

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NINETOWNS INTERNET TECHNOLOGY GROUP COMPANY LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Years Ended December 31,			
	2005 RMB	2006 RMB	2007 RMB	2007 US\$
Net revenues:				
Enterprise software and related customer maintenance services				
external customers	142,534	92,127	67,822	9,298
related parties (Note 15)	60,954	24,706	9,505	1,303
Software development services				
external customers	7,600	23,084	25,642	3,515
related parties (Note 15)	28,100	12,933	-	-
Computer hardware sales	678	398	-	-
Business-to-business search services	-	-	489	67
Total net revenues	239,866	153,248	103,458	14,183
Cost of revenues:				
Enterprise software and related customer maintenance services	(495)	-	-	-
Software development services (including share-based compensation expense of nil in 2005, RMB1,039 in 2006 and RMB126 in 2007)	(18,192)	(16,805)	(17,748)	(2,433)
Computer hardware sales	(482)	(134)	-	-
Business-to-business search services	-	-	(5,109)	(700)
Total cost of revenues	(19,169)	(16,939)	(22,857)	(3,133)
Gross profit	220,697	136,309	80,601	11,050
Operating expenses:				
Selling and marketing (including share-based compensation expense of nil in 2005, RMB3,371 in 2006, and RMB628 in 2007)	(25,752)	(13,604)	(41,086)	(5,633)
General and administrative (including share-based compensation expense of nil in 2005, RMB4,074 in 2006, and RMB1,145 in 2007)	(48,778)	(67,449)	(86,334)	(11,835)
Research and development (including share-based compensation expense of nil in 2005, RMB1,843 in 2006, and RMB27 in 2007)	(11,249)	(29,825)	(32,003)	(4,387)
(Allowance) recovery for doubtful accounts	(760)	1,521	(22,395)	(3,070)
Provision for impairment of goodwill	-	-	(193,570)	(26,536)
Total operating expenses	(86,539)	(109,357)	(375,388)	(51,461)
Government subsidies	447	705	1,015	139
Income (loss) from operations	134,605	27,657	(293,772)	(40,272)
Interest income	17,625	19,302	13,885	1,903
Gain from sales of short-term investments	-	-	43,546	5,970
Income (loss) before provision for income taxes and minority interest	152,230	46,959	(236,341)	(32,399)
Provision for income taxes	(626)	(1,031)	(243)	(33)

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Net income (loss) before minority interest	151,604	45,928	(236,584)	(32,432)
Minority interests in loss of subsidiary	-	-	6,053	830
Net income (loss)	151,604	45,928	(230,531)	(31,602)
Net income (loss) per share:				
Basic	4.39	1.32	(6.59)	(0.90)

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Diluted	4.25	1.30	(6.59)	(0.90)
Weighted average shares used in computation:				
Basic	34,539,976	34,773,005	34,966,830	34,966,830
Diluted	35,706,894	35,368,882	34,966,830	34,966,830

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share data)

	Ordinary Shares	Ordinary Shares Amount	Additional Paid-in Capital	Treasury Shares	Shares Amount	Retained Earnings	Statutory Reserve	Compre-hensive (Loss) Income	Accumu-lated Other (Loss) Income	Total
	Shares	RMB	RMB	Shares	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2005	34,391,834	911	845,730	-	-	200,531	43,280	-	-	1,090,452
Ordinary shares converted to ADR shares for future exercises of share options	600,000	15	15,585	(600,000)	(15,600)	-	-	-	-	-
Issuance of ADR shares for the exercises of employee share options	-	-	-	-	-	-	-	-	-	-