

China Computer Software Industry Report, 2009-2010



2009 is a very important year for China's IT industry, particularly the computer software industry, the development of which was promoted by a series of newly released policies: Electronic Information Industry Restructuring and Revitalization Planning charted directions for the industry, and local support policies followed suit; Growth Enterprise Market (GEM) provided a new financing platform for software companies; Basic Norms of Internal Control for Enterprises was implemented by medium and large enterprises, so that IT management and governance became an essential approach and objective of enterprise management, which would directly promote the development of enterprise IT management software.

In 2009, the industry achieved software revenue of RMB951.3 billion, up 25.6% year-on-year. Software export accounted for less than 20% of China's software revenue, so China's software industry was less affected by the global economic crisis. Driven by the global economic recovery and the government's stimulus policies, China's software industry began to rebound in Q4, 2009.

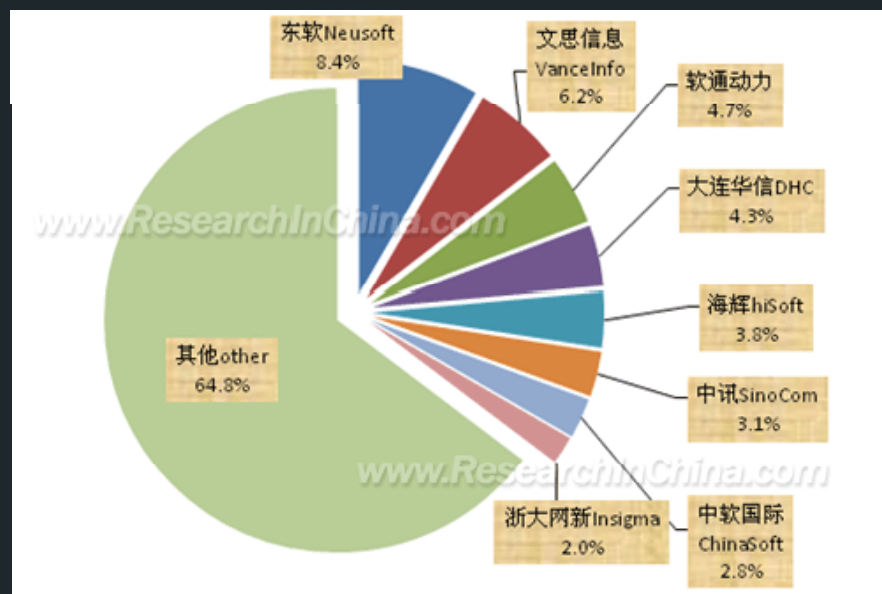
In recent years, the industrial added value of China's electronic information industry has always accounted for around 5% of GDP, while China's software and services industry has only accounted for about 16% of the electronic information industry, lagging far behind developed countries such as the United States and Japan. This shows that China's integration of industrialization and informatization is still at an early stage. Economic growth will provide tremendous growth opportunities for China's software industry.

In the software outsourcing market, China obtained USD2.4 billion from software outsourcing service export in 2009, up 15% year-on-year. The export to Japan fell a lot while the export to Europe and America grew steadily. In the future, Europe and America will be the focus of Chinese software outsourcing companies. Domestic outsourcing services developed rapidly and created revenue of RMB174.96 billion, with an increase of 31.2%.

As for outsourcing enterprises, Neusoft still took a leading position in the software outsourcing market despite China's declining outsourcing orders from Japan in 2009. The emergence of European and American outsourcing markets promoted the rapid growth of VancelInfo and hiSoft. In 2009, VancelInfo occupied the second position in China's outsourcing market with USD148 million; hiSoft got listed on the NASDAQ by virtue of its excellent performance.

As for general management software, China's two giants UFIDA and Kingdee are seeking acquisition opportunities in order to secure their market positions.

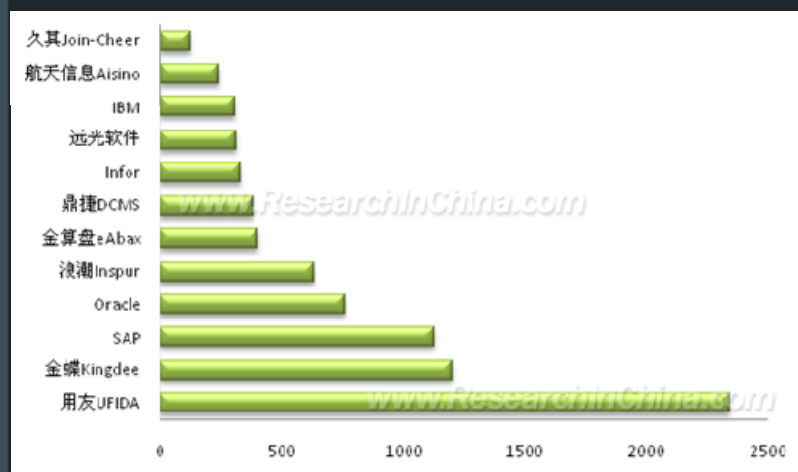
Major Companies and Their Shares in China's Software Outsourcing Market, 2009



Source: ResearchInChina

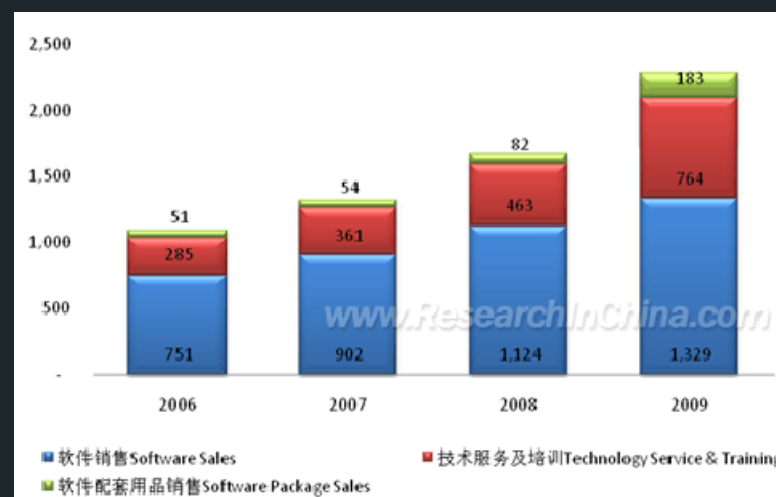
In 2009, in addition to a steady growth in the sales revenue of management software, UFIDA also delivered excellent performance in other businesses, especially the technology service and training business which grew at a rate up to 65%.

China's Major General Management Software Companies and Their Operating Income, 2009 (RMB Mln)



Source: ResearchInChina

UFIDA's Prime Operating Revenue Structure by Product, 2006-2009 (RMB Mln)



Source: UFIDA, ResearchInChina

In addition to the outsourcing market and general management software market, the report analyzes over 20 enterprises that commit themselves to industrial application software and individual application software.

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