



Headquartered in Hong Kong with offices in the PRC, **China Expert Technology, Inc. (OTCBB: CXTI)** leverages its infrastructure consulting capabilities and services to design, implement and deploy large-scale information technology network projects (known as e-government solutions) for municipal and city governments in China. These networks provide a standardized, seamless, and secure communication platform between government departments and their agencies, and facilitate information flow to China citizens. This ultimately improves database management and workflow processes, while accelerating key decision making and providing transparency for constituents. Post implementation, CXTI provides training to government officials, along with related maintenance and support.

## Corporate Profile July 2007

**Sector:** Technology  
**Industry:** Information  
Technology Services

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### Investment Highlights and Recent News

- Revenues in the first quarter 2007 totaled \$13.2 million. Gross margins improved 5.4% versus last year to 56.9%. Net income increased 211.9% to \$4.5 million or \$0.12 per weighted average fully diluted share
- Backlog as March 31, 2007 was \$257.3 million compared to \$227.8 million on Dec 31, 2006.
- In April Company provided financial guidance for 2007 and 2008. In 2007 the Company is expected to have revenues in the range of \$72 to \$74 million and net income of \$20 to \$21 million. For 2008 the Company expects revenues in the range of \$124 to \$126 million and net income of \$35 to \$36 million.
- CXTI is leveraging its e-government projects in Jinjiang city (Fujian province) as the model for future e-government projects to drive new customer wins and deployments in that province. The Company plans to focus on other regions in the PRC going forward. The Ministry of Industry selected this project as 1 of 4 model locations in China for information/electronic administration training.
- The Company's goal is to develop complimentary and recurring high margin revenue streams from (1) e-government IT construction project expansion, (2) follow-on IT training for government officials, (3) after sales maintenance contracts (beginning after one year warranty period expires), and (4) technical support for customers.
- In June 2007, China Expert signed two contracts in Fujian and one in the Guangxi Province worth \$72.9 million total. These are not included in the table below.
- In April 2007, China Expert signed their first significant contract outside of the Fujian Province in Xi'an worth \$42.4 million net. On May 9th the Company signed another contract outside of Fujian with Baise City for \$7.7 million net. In May, China Expert announced contracts for Huian 2nd phase and Nan'an 3rd phase. This is in addition to 14 new e-government contracts signed in 2006 totaling \$251.7 million net.

### SELECT FINANCIALS

#### OTCBB:CXTI

**Fiscal Year End:** Dec. 31st

**Current Price (7/2/07):** \$7.40

**52-Week Range:** \$2.20-\$8.13

**Fully Diluted Shares Outstanding\*:** 38.8 Million

**Market Cap:** \$287 Million

**Revenue (TTM)** \$64.2M

**Total Cash** \$21.2 Million

### E- Government Projects

City	Nature of Project	Start	Complete	Net Contract \$	O/S Contract \$
Jinjiang	1st-4th Phase E-Government	Apr 03	Oct 06	52.5M	-
	Maintenance	Feb 06	Jan 09	3.8M	2.3M
	Application Training	Feb 06	Nov 06	1.7M	-
	Unified Command System	Nov 05	Mar 06	0.6M	-
Dehua	1st Phase E-Government	Apr 04	Aug 06	15.6M	-
	2nd Phase E-Government	Jan 05	Nov 05	11.8M	-
	3rd Phase E-Government	Jan 06	Jun 07	9.2M	0.2M
	4th Phase E-Government	Mar 06	Dec 06	11.3M	-
Nan'an	Unified Command System	Mar 06	Jul 06	0.6M	-
	1st Phase E-Government	Aug 05	Mar 07	13.1M	-
	2nd Phase E-Government	Aug 06	Jul 07	18.3M	5.9M
Huian	3rd Phase E-Government	Jun 07	Jan 08	11.7	11.7M**
	E-Government System	Jan 06	Jul 08	14.5M	2.4M
Licheng	2nd Phase E-Government	Jun 07	Jan 08	31.6 M	31.6M**
	E-Government System	Nov 06	Oct 09	31.2M	30.0M
Shishi	E-Government System	Oct 06	Sept 09	37M	35.7M
Yinzhou	E-Government System Design & Planning	Apr 06	Oct 06	0.3M	-
Fuzhou(Cangshan)	E-government System	July 07	June 09	12.7M	12.7M
Quanzhou (Quangang)	E-government System	July 07	Aug 10	30.8M	30.8M
Fuzhou (Minqing)	E-government System	Oct 07	Sept 10	22.3M	22.3M
Fuzhou (Pingtan)	E-government System	Oct 07	Sept 10	22.4M	22.4M
Fuzhou (Mawei)	E-government System	Oct 07	Sept 10	21.7M	21.7M
Fuzhou (Yongtai)	E-government System	July 07	June 10	28.5M	28.5M
Xi'an City	E-government System	Sept 07	Mar 10	42.4M	42.4M
Baise City	E-government System	Dec 07	Dec 08	7.7	7.7M**

\* May change based on stock price; includes all warrants

\*\* New contract not included in backlog

**Backlog as of March 31, 2007: \$257.3 million**

Tentative start date and target completion date may vary from the original contract terms. Contract sum is net of PRC business tax and excluding hardware purchased on behalf of customers.

# CHINA EXPERT TECHNOLOGY, INC.

## CXTI's E-Government Services

CXTI's offers a full suite of development services, including:

- Website planning, development and hosting services
- Workflow management
- Public LAN planning and construction
- Software development, e.g., information exchange, document exchange and management systems
- Hardware platform and installation
- Security system
- Training classes for staff and government officials
- On-going maintenance and support services

### Large Scale Opportunity

- China Daily Online quotes the e-government market reached \$6 billion in 2005, representing 16% year-over year growth.
- On March 5, 2007 at the 5th session of the 10th National People's Congress, Premier Wen Jiabao reiterated the need to accelerate the development of e-government and government websites.

### China's Government Architecture

- A total of 23 provinces, over 2,000 cities and counties
- 4 centrally-administered municipalities
- 5 autonomous regions, subdivided into:
  - 30 autonomous areas
  - 117 autonomous counties
  - Thousands of governmental departments in China
- **82 counties & cities in Fujian province and approximately 30% of these being applicable to CXTI's model, creating the Company's current targeted market.**



### Management Team

**Mr. ZHU Xiaoxin- President & CEO-** Mr. Zhu is responsible for daily business operation and planning and management of e-government infrastructure related affairs. He joined the Group in September 1999. Mr. Zhu has over 15 years of experience in large scale e-government infrastructure projects in China. From April 1998 to September 1999, Mr. Zhu was the Executive Manager for Syscan Technology (Shenzhen) Company Limited. Mr. Zhu received a Bachelor of Science from the University of Science and Technology of China in 1987.

**Mr. Simon Fu - Chief Financial Officer-** Mr. Fu joined the Company in November 2005 as its new CFO and brings 15 years of experience in financial management, accounting and auditing. Prior to CXTI, Mr. Fu was the financial controller of Innovative Information Systems Limited, a subsidiary of Itochu Corporation from March 2001 to August 2005.

**Mr. HUANG Tao- Chairman of the Board-** Mr. Huang's joined March 2005 and oversees the strategic direction of the Company. He worked for the Bank of China from 1981 through 2004 and served as deputy general manager of the Retail Banking Department of the Headquarter. He was a member of Marketing Committee of MasterCard International (Asia Pacific Region) and a Marketing Adviser of Visa International (Asia Pacific Region) from 1998 to 2000. He holds a Bachelor Degree for English language from Nanjing Normal University and a Master Degree of Business Economy from the College of Graduate Students of the Chinese Academy of Social Sciences.

**Mr. Song Feng - Chief Operating Officer -** Mr. Song joined the Group in September 2000 and appointed as COO since February 2004. From 1997 to 1999, he was the Network Manager of Nation Defense Information System Guizhou Network. From March to September 2000, he was the Chief Technical Officer of Huizhou Calili Information Technology Co., Ltd. He holds a Bachelor of Engineering and a Master of Engineering Management from the Beijing University of Aviation and Aerospace.

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