

**18th Statistical Survey Report on
the Internet Development in China**

(July 2006)



China Internet Network Information Center

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Statistical Survey Report on the Internet Development in China (Jul. 2006)

China Internet Network Information Center

Section One. Description of Concepts

1. Internet User:

CNNIC defines the Internet user as Chinese citizen who use the Internet at least one hour per week.

2. Website:

Refers to a website that holds an independent domain name (under .CN or gTLDs), the independent domain name refers to the situation in which one domain name can only match one single website. For example, CNNIC only has one website, i.e. "www.cnnic.cn". Other sub-site names such as "whois.cnnic.net.cn", "dns2.cnnic.net.cn" do not mean that CNNIC has more websites. They are treated as different channels of "www.cnnic.cn"

2. Computer Host:

Refers to a computer through which at least one person may access the Internet.

4. Regional Distributions:

East China: Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong and Hainan;

Mid China: Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei and Hunan;

West China: Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

5 . The statistics of Hong Kong, Macao and Taiwan are not included unless specified.

6 . The closing date for the survey is June 30, 2006

Section Two. Survey Result

I. The Macro Status of the Internet Development in China

Note: Items with “” result from telephone sampling survey.*

A. Internet users

*1 . Total users: 123.00 million (The 95% confidence intervals for the estimate were 116.50 million to 129.50 million.)

*2 . By types of accessing methods (in million)

Leased Lines	Dial-up	Broad Band
26.8	47.5	77

Note 1: Percentages do not add to 100 per cent as Internet users who adopt multiple accessing methods are recounted.

Note 2: Leased line users refer to beneficiaries of LAN, to which connects the Ethernet.

Note 3: Dial-up users include ISDN users

Note 4: Broadband users refer to beneficiaries of xDSL, cable modem, etc.

*3 . Mobile Telephone Access users are about 13.00 million.

*4 . Besides computers, 6.10 million users use other types of accessing facilities (mobile terminals and information appliances).

B. Computer hosts

*1 . Total computer hosts: 54.50million.

*2 . By connection types (in million):

Leased Line	Dial-up	Broad Band
6.25	20.10	28.15

C. Domain names registered

1 . China has approximately 2,950,500 domain names (including names registered in .CN ccTLD and gTLDs), among which .CN domain names reached 1,190,617.

2 . By TLDs/SLDs:

Table2.3 Domain names by TLDs

	Number	Percentage
CN	1,190,617	40.3%
COM	1,435,768	48.7%
NET	249,555	8.5%
ORG	74,560	2.5%
Total	2,950,500	100.0%

Table2.4 .CN domain names

	Number	Percentage
.CN	665,680	55.9%
.COM.CN	389,895	32.8%
.NET.CN	56,316	4.7%
AADN.CN	28,175	2.4%
.GOV.CN	25,527	2.1%
.ORG.CN	20,429	1.7%
.EDU.CN	2,740	0.2%
.AC.CN	1,855	0.2%
Total	1,190,617	100.0%

3 . By provinces/cities (Excluding “EDU.CN”)

Table2.5 Internet users by provinces/cities

	Domain Name (including .CN)		.CN Domain Name	
	Number	Percentage	Number	Percentage
Guangdong	506,087	17.2%	184,506	15.5%
Beijing	401,451	13.6%	201,850	17.0%
Fujian	275,968	9.3%	116,115	9.8%
Shanghai	275,284	9.3%	111,790	9.4%
Zhejiang	237,822	8.1%	80,672	6.8%
Jiangsu	214,864	7.3%	69,835	5.9%
Shandong	140,319	4.7%	51,554	4.3%
Sichuan	111,035	3.8%	26,923	2.3%
Liaoning	92,552	3.1%	30,676	2.6%

	Domain Name (including .CN)		.CN Domain Name	
	Number	Percentage	Number	Percentage
Hubei	63,266	2.1%	24,313	2.1%
Henan	61,969	2.1%	25,164	2.1%
Hebei	56,304	1.9%	22,662	1.9%
Hunan	49,322	1.7%	17,144	1.4%
Anhui	44,704	1.5%	16,534	1.4%
Shaanxi	40,006	1.4%	12,688	1.1%
Heilongjiang	39,881	1.3%	13,450	1.1%
Tianjin	39,082	1.3%	15,395	1.3%
Chongqing	29,231	1.0%	12,815	1.1%
Guangxi	27,121	0.9%	10,773	0.9%
Jiangxi	26,108	0.9%	12,862	1.1%
Jilin	24,308	0.8%	10,238	0.9%
Yunnan	24,188	0.8%	10,516	0.9%
Shanxi	19,324	0.7%	8,216	0.7%
Xinjiang	14,950	0.5%	5,095	0.4%
Inner Mongolia	13,163	0.5%	5,609	0.5%
Hainan	10,680	0.4%	3,086	0.3%
Guizhou	10,520	0.4%	4,877	0.4%
Gansu	10,397	0.4%	3,985	0.3%
Ningxia	6,419	0.2%	2,900	0.2%
Tibet	4,834	0.2%	1,493	0.1%
Qinghai	3,591	0.1%	1,131	0.1%
Others	73,010	2.5%	73,010	6.1%
Total	2,947,760	100.0%	1,187,877	100.0%

Note 1. The geographic distributions are in accordance with the distribution of domain name registrants; abroad domain names refer to .CN domain names that had been registered with overseas registrars;

Note 2. The data of EDU.CN is not included in the table;

Note 3. It's sorted dissentingly by the numbers of domain names registered.

D. "WWW" Websites (including .CN, .COM, .NET and .ORG)

1 . Total estimates: 788,400

2 . By TLDs/SLDs:

Table2.6 Websites by TLDs

	Number	Percentage
CN	342,419	43.4%
COM	352,301	44.7%
NET	74,304	9.4%
ORG	19,376	2.5%
Total	788,400	100.0%

Table2.7 Websites in .CN TLD/SLDs

	Number	Percentage
.CN	174,865	51.1%
.COM.CN	128,184	37.4%
.NET.CN	14,869	4.3%
.GOV.CN	11,978	3.5%
.ORG.CN	6,764	2.0%
AADN.CN	5,321	1.6%
.AC.CN	438	0.1%
Total	342,419	100.0%

3 . By provinces/cities:

Table 2.8 Websites by provinces/cities

	Number	Percentage
Beijing	144,800	18.4%
Guangdong	141,105	17.9%
Zhejiang	73,304	9.3%
Shanghai	64,704	8.2%
Jiangsu	63,933	8.1%
Shandong	38,846	4.9%
Fujian	35,632	4.5%
Liaoning	24,062	3.0%
Hebei	21,282	2.7%
Sichuan	19,504	2.5%
Hubei	19,017	2.4%
Henan	17,161	2.2%
Anhui	11,821	1.5%
Hunan	9,637	1.2%
Guangxi	8,619	1.1%
Chongqing	8,593	1.1%
Jiangxi	8,516	1.1%
Heilongjiang	8,141	1.0%
Tianjin	7,677	1.0%
Shaanxi	6,882	0.9%
Shanxi	5,654	0.7%
Yunnan	5,408	0.7%
Jilin	5,162	0.6%
Inner Mongolia	3,593	0.5%
Guizhou	3,209	0.4%

	Number	Percentage
Gansu	2,855	0.4%
Xinjiang	2,817	0.4%
Hainan	2,799	0.3%
Tibet	1,740	0.2%
Ningxia	1,542	0.2%
Qinghai	766	0.1%
Others	19,619	2.5%
Total	788,400	100.0%

Note: The geographic distributions are in accordance with the distribution of domain name registrants; abroad websites refer to those .CN websites that registered their domain names with overseas registrars.

E. Total bandwidth of international connections:

1 . Total bandwidth **214,175 M**, connect to the United States, Russia, France, the United Kingdom, Germany, Japan, Korea, Singapore, etc.

2 . By Backbone Network Operators:

CHINANET **122,587 M**

CHINA169 **60,888 M**

CSTNET **17,465 M**

CERNET **4,796 M**

CMNET **4,785 M**

UNINET **3,652 M**

CIETNET **2 M**

CGWNET (under construction)

CSNET (under construction)

F. Quantity of IP addresses:

1 . IPv4 quantity

Mainland: 84,786,688 i.e. 5A+13B+190C

Taiwan: 16,517,632 i.e. 252B+10C

Hong Kong: 6,375,936 i.e. 97B+74C

Macao: 144,640 i.e. 2B+53C

2 . IPv4 addresses by provinces/cities (in the Chinese mainland)

Table 2.9 IPv4 addresses allocation by provinces/cities (Source: APNIC, CNNIC)

	Percentage
Beijing	12.1%
Guangdong	10.8%
Jiangsu	7.3%
Zhejiang	7.0%
Shanghai	6.4%
Shandong	5.7%
Sichuan	4.0%
Hebei	3.9%
Liaoning	3.8%
Henan	3.7%
Hubei	3.0%
Fujian	2.8%
Hunan	2.8%
Tianjin	2.6%
Chongqing	2.5%
Heilongjiang	2.4%
Anhui	2.4%
Jiangxi	2.2%
Jilin	1.9%
Shanxi	1.9%
Shaanxi	1.9%
Guangxi	1.6%
Yunnan	1.5%
Hainan	1.4%
Xinjiang	1.2%
Guizhou	1.0%
Inner Mongolia	0.8%
Gansu	0.6%
Ningxia	0.4%
Qinghai	0.3%
Tibet	0.1%
Total	100.0%

Note: as the allocation is a dynamic process, the data collected is for reference only

3 . IPv6 quantity

Mainland: /29+20/32s+2/48s

Taiwan: /21+2/26s+/27+/28+19/32s+/48

Hong Kong: 4/32s+/64

Macao: 2/32s

II. Survey on the Behavior and the Consciousness of the Internet Users

Note: Items with “*” result from telephone sampling survey, while others result from online survey.

A. General information of the Internet users

*1 . By gender: Male 58.8%, Female 41.2%

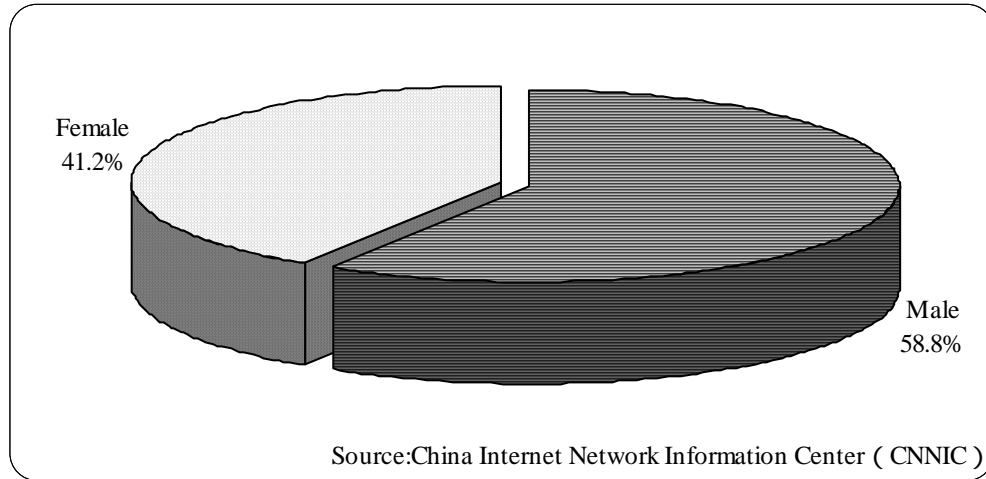


Figure 2.1 Internet users by gender

*2 . By age:

Under 18	18 ~ 24	25 ~ 30	31 ~ 35	36 ~ 40	41 ~ 50	51 ~ 60	Above 60
14.9%	38.9%	18.4%	10.1%	7.5%	7.0%	2.4%	0.8%

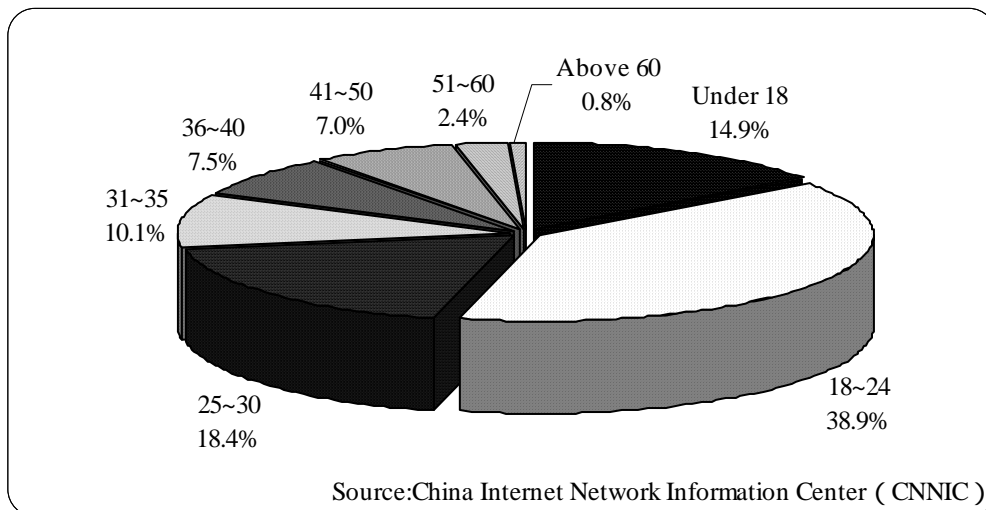


Figure 2.2 Internet users by age

*3 . By marital status: Single 55.1%, Married 44.9%

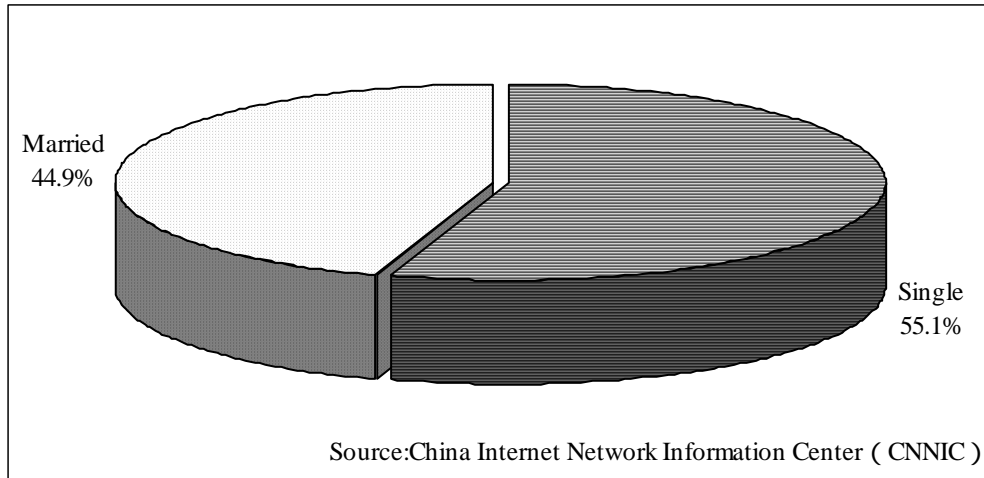


Figure 2.3 Internet users by marital status

*4 . By educational degree:

Table 2.11 Internet users by educational degree

Below High School	High School	College Diploma	Bachelor's Degree	Master's Degree	Doctorial Degree
17.8%	31.6%	23.0%	24.7%	2.3%	0.6%

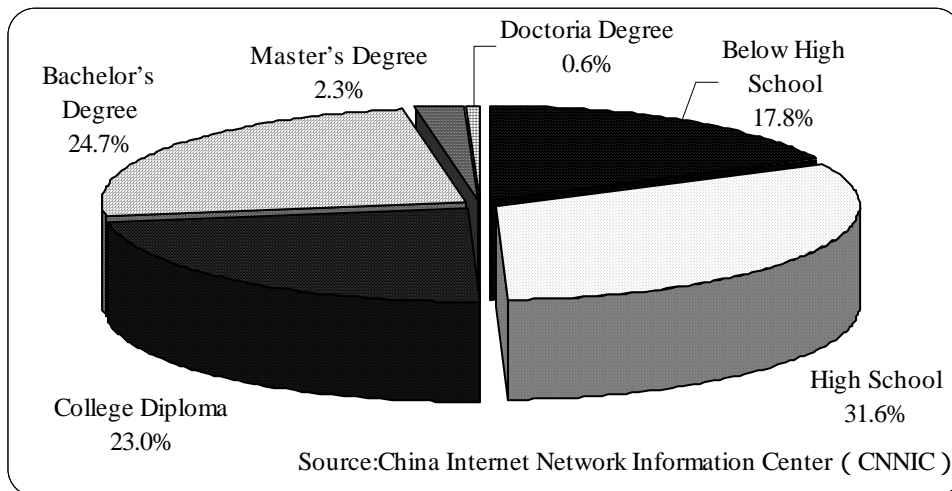


Figure 2.4 Internet users by educational degree

*5 . Distribution of professions:

Table 2.12 Distribution of professions

Students	Staff of enterprises	School teachers and staff	Staff of government agencies or party-organizations
36.2%	28.9%	7.4%	6.2%
Staff of non- profit organizations	Self -employed	Peasants and farmers	Unemployed
5.6%	5.3%	1.6%	8.5%
Others (including army men)			
0.3%			

*6 . Monthly Income per Capita of household Internet users:

Table 2.13 Monthly Income per Capita of household Internet users: (RMB)

less than 500	501 ~ 1000	1001 ~ 1500	1501 ~ 2000	2001 ~ 2500	2501 ~ 3000
26.9%	15.9%	15.8%	12.0%	5.3%	5.0%
3001 ~ 4000	4001 ~ 5000	5001 ~ 6000	6001 ~ 10000	Over10000	No Income
4.8%	2.6%	1.3%	1.1%	1.9%	7.4%

*7 . Monthly Income per Capita of college on campus living students. (Including Awards, internship job income)

Table 2.14 Monthly Income per Capita of college on campus living students: (RMB)

less than 500	501 ~ 1000	1001 ~ 1500	1501 ~ 2000	2001 ~ 2500	2501 ~ 3000
48.0%	44.6%	4.3%	1.4%	0.6%	0.3%
3001 ~ 4000	4001 ~ 5000	5001 ~ 6000	Over 6001	No Income	
0.2%	0.0%	0.1%	0.0%	0.5%	

B. The usage situation and users' satisfactory degrees

*1 . Main locations for accessing the Internet: (result of multiple selections):

Table 2. 15 Main locations for accessing the Internet

Home	Work place	Internet Café	School	Public places	Others
72.2%	35.1%	29.5%	18.9%	0.5%	0.5%

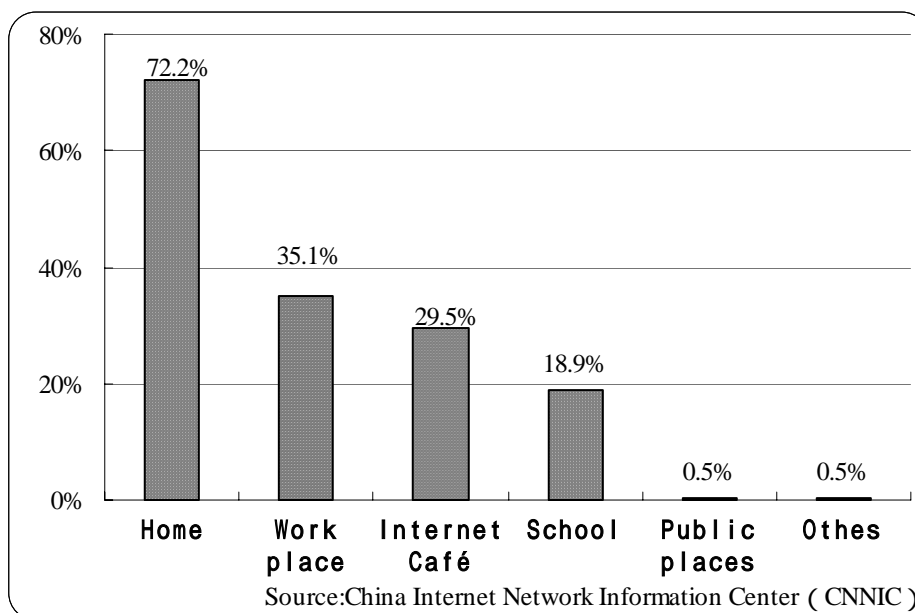


Figure 2.5 Main locations for accessing the Internet

*2 . Besides free Internet users, average monthly cost for accessing the Internet: 102.0 Yuan

Note: Expenditure here refers to the Internet connection fees by ISPs and the telephone charges simultaneously incurred by telephone companies; the daily phone call charges are excluded.

*3 Average weekly time for accessing the Internet: 16.5 Hours

*4 . When do Internet users usually access the Internet (multiple selections):

Table 2.16 When do Internet users usually access the Internet

24:00	1:00	2:00	3:00
21.9%	9.3%	7.9%	5.2%
4:00	5:00	6:00	7:00
4.5%	4.1%	4.7%	5.3%
8:00	9:00	10:00	11:00
17.6%	28.4%	31.6%	30.2%
12:00	13:00	14:00	15:00
34.1%	36.4%	41.9%	42.3%
16:00	17:00	18:00	19:00
39.7%	36.4%	34.1%	44.9%
20:00	21:00	22:00	23:00
60.7%	60.9%	52.1%	34.2%

*5 . Main channel that obtain information: (result form multiple selections):

Internet	82.6%
TV	64.5%
Papers	57.9%
Magazines	18.8%
Books	18.7%
Radio	14.4%
Others	6.9%

6 . Services that are most frequently used (result form multiple selections):

News	66.3%
Search engine	66.3%
Email	64.2%
BBS, Community, Forum	43.2%
instant message	42.7%
Obtaining Information (inquire about information of products, services, jobs, healthcare, government, etc)	39.5%
Watching/downloading video (Online TV)	37.3%
Listening/downloading music (Online radio)	35.1%
Downloading/uploading files (excluding music and video)	33.9%
Internet games	31.8%
School/class mates' BBS	26.0%
Online shopping	26.0%
Personal homepage service	24.3%
Blog	23.7%
Online recruiting	20.6%
Online chatting room	19.9%
Online financing (Banking and Stock trading)	16.5%
E-magazine	16.5%
Online education	12.4%
Online sales (including online promotion and auction)	11.3%
SMS and MSM (Multimedia Short Message)	9.7%
Online telephone (including IP、 PC to Phone)	7.9%
Online reservation (hotel, ticket, registration)	5.4%
E-governance (Online complain, overview/approval, supervise, etc.)	5.4%
Friends/ match making, community club	4.6%
Others	4.3%

7 . Users' attitudes towards how much Internet could help them in the following four aspects:

Table2.17 Users' attitudes towards how much Internet could help them

	Very helpful	Helpful	Average	Harmful	Very harmful
Studying	48.5%	32.5%	17.3%	1.3%	0.4%
Working	53.7%	36.5%	9.2%	0.5%	0.1%
Daily life	40.2%	42.8%	15.2%	1.5%	0.3%
Entertainment	50.9%	25.7%	21.4%	1.6%	0.4%

8 . Users' attitudes towards the current Internet:

Table 2.18 Users' attitudes towards the current Internet

	Excellent	Satisfied	Average	Dissatisfied	Disappointed
Speed	4.3%	37.3%	37.6%	15.3%	5.5%
Cost and fee collecting rules	2.8%	15.2%	47.1%	26.5%	8.4%
Security	2.3%	15.0%	49.5%	25.1%	8.1%
Propriety of contents	9.4%	43.8%	38.9%	6.2%	1.7%
Authenticity of contents	3.0%	28.4%	45.8%	18.0%	4.8%
Healthiness of contents	2.8%	27.3%	46.2%	18.1%	5.6%
Protection of Individual privacy	3.0%	18.2%	50.1%	22.0%	6.7%
Easy to use	10.3%	50.6%	32.8%	5.0%	1.3%
Overall	2.9%	42.2%	47.6%	6.4%	0.9%

9 . Have your online computers ever been invaded by viruses or hackers in the past 6 months:

Yes	70.1%
No	23.6%
Unclear/do not know	6.3%

10 . Protect methods that use to protect computer online (multiple selections) :

Anti- viruses software	87.7%
Firewall	71.8%
Anti-spying software	22.7%
Not using	2.8%
Do not know	1.0%

11 . Aspects Internet users are most happy with:

Rich contents, easy inquiry	36.2%
Prompt information renewal	24.3%
Obtain free information	11.2%
Enrich entertainment life	6.7%
Easing life, saving time	6.4%
More communication Channels, more friends	6.4%
Equal, free spirit	5.1%
Lowing trade cost, adding trade opportunity	2.8%
Better self-illustration	0.6%
Others	0.3%

12 . Aspects Internet users are most unhappy with:

Internet viruses	9.2%
Popup ads and windows	20.9%

Hackers' attack (including Trojan program)	12.5%
Online traps of fee charges	9.3%
Fake information	8.6%
Spam	5.9%
Cheating/Fraud/Phishing	5.3%
Inappropriate information	4.5%
Exposure of privacy	3.1%
Others	0.7%

C. Internet users' views on popular Internet issues

Questions 1-10 are subject to the answers of online game player respondents.

1 . When to start playing online games

■ Before 2000	16.7%
■ 2000	31.3%
■ 2001	10.8%
■ 2002	13.2%
■ 2003	11.4%
■ 2004	8.2%
■ 2005	6.5%
■ 2006	1.9%

2 . How long were you persisted on one online game :

■ within one month	0.9%
■ 1 ~ 3 months	46.8%
■ 4 ~ 6 months	15.5%
■ 7 ~ 9 months	3.6%
■ 10 ~ 12 months	11.3%
■ 13 ~ 18 months	5.3%
■ 19 ~ 24 months	7.5%
■ More than two years	9.1%

3 . Average time spent per week on online games : 11.0 Hours

4 . Location of playing online cyber games (multiple selection) :

■ home (including dorms)	63.6%
■ Internet cafe	38.8%
■ working place	30.0%
■ school (including library, lab, computer center)	8.3%
■ public places	1.9%
■ others	0.3%

5 . Main purpose of playing online games (multiple selection) :

■ entertainment	85.8%
■ kill time	35.0%
■ practicing intelligence	15.6%
■ make friends	15.5%
■ obtain esteem by becoming a good player	5.1%

■ material benefits	2.6%
■ others	0.8%
■ not for certain purposes	2.8%
6 . Average monthly expense on online cyber games	40.7 RMB
7 . Usual places for purchasing online games credits (multiple selection) :	
■ newsstand	32.2%
■ Internet cafe	23.4%
■ e-purchase	23.1%
■ software store	16.0%
■ telephone paid	6.7%
■ others	0.9%
■ never purchase before	29.7%
8 . Favorite types of online games (multiple selection) :	
■ RPG (i.e. Legend、 Miracle)	46.7%
■ PUZ (i.e. Paopao Candy、 Crazy Tank)	46.7%
■ SLG, (i.e. Chess, poker, etc)	39.6%
■ RTS (i.e. Age of Empires、 Star craft)	22.4%
■ SIM: (the merchantman)	7.3%
■ others	2.9%
9 . Main concerned factors in choosing online games (multiple selection) :	
■ access speed and running speed	65.0%
■ quality of scene and sound effects	62.1%
■ difficulty of operating the game	38.2%
■ free test play	35.5%
■ balance and justness of the game	30.8%
■ game scenario	30.7%
■ popularity	24.3%
■ customer service attitude	15.6%
■ whether it contains external instrument	14.8%
■ supplementary system (chat, trade, union, marriage, etc)	14.6%
■ activities of retailers	7.8%
■ others	1.2%
10 . Causes for quitting certain game (multiple selection) :	
■ cost too much time and energy	69.3%
■ charging factors	29.1%
■ attraction from other latest games	22.1%
■ failed in game update, lose interests and give up	21.6%
■ external instrument destroying fair play	17.9%
■ game updated fails in maintaining competitive dynamics	14.0%
■ security issue (stealing users account, equipment)	13.6%
■ weak customer services	7.3%
■ lack of friends in the games	5.9%
■ objection from family or friends	5.8%
■ others	3.2%

Question 11-14 are about e-trading practices during the past six months

11 . Delivery options for e-trading (multiple selection) :

■ other express delivery	50.8%
■ ordinary post	39.0%
■ EMS	28.2%
■ by air or railway	2.4%
■ others	5.4%

12 . Payment method of e-trading (multiple selection) :

■ online paying (credit or debit card)	73.8%
■ collect on delivery (cash payment)	28.1%
■ bank remittance	15.2%
■ Postal paying	12.4%
■ Mobile paying	2.4%
■ others	2.0%

13. Reasons for not trading online (multiple selection) :

■ uncertainty on trade process	61.5%
■ little guarantee on quality and after sales services	45.7%
■ Concerning about privacy issue	28.2%
■ insufficient conditions	23.3%
■ inconvenience on payment	21.7%
■ postponed delivery	10.7%
■ uncompetitive pricing	10.2%
■ Lack of sorts and quantity of goods	8.3%
■ others	4.0%

14 . Online trade anticipation in six months:

■ definitely	5.3%
■ maybe	39.9%
■ unknown	33.9%
■ maybe not	12.9%
■ definitely not	8.0%

Section Three. Analysis Report on the Internet Development in China

I. Discrepant Analysis of Internet Development in China

Note: this analysis report is based on telephone sampling survey

Compared with other countries, the penetration rate of China's Internet is higher than the level of equivalent developing countries, but lower than developed countries'. In terms of domestic Internet development, there are significant differences between cities and countryside, and among east, middle and west part of China. Additionally, the trend of this discrepancy is continuously increasing. In terms of middle/primary school students, among the 200 million, there are 30 million students regularly getting online, the penetration rate reaches 15.4%, particularly the penetration rate of high school students is even higher than 50%.

1. The comparison of world Internet penetration rate

The penetration rate is relative higher in developed EU countries and The USA, up to 49.8% and 68.6% respectively; around China, the Internet development showed an outstanding progress in Japan and S. Korea. In average, at least two third of their populations are Internet users (see Figure 1). Thus, we can see China's Internet development falls behind those countries; however, Chinese market contains huge potential.

China and India have the similar developmental models due to similar demographic factors. The comparison between "China dragon" and "India elephant" is always being prevailing. According to the first quarter of 2006, China GDP growth reaches 10.2% compared with last year, meanwhile India performed 9.3%. Both countries were developing quite rapidly. However in terms of Internet development, India dropped behind China, possessing only half penetration rate of China's.

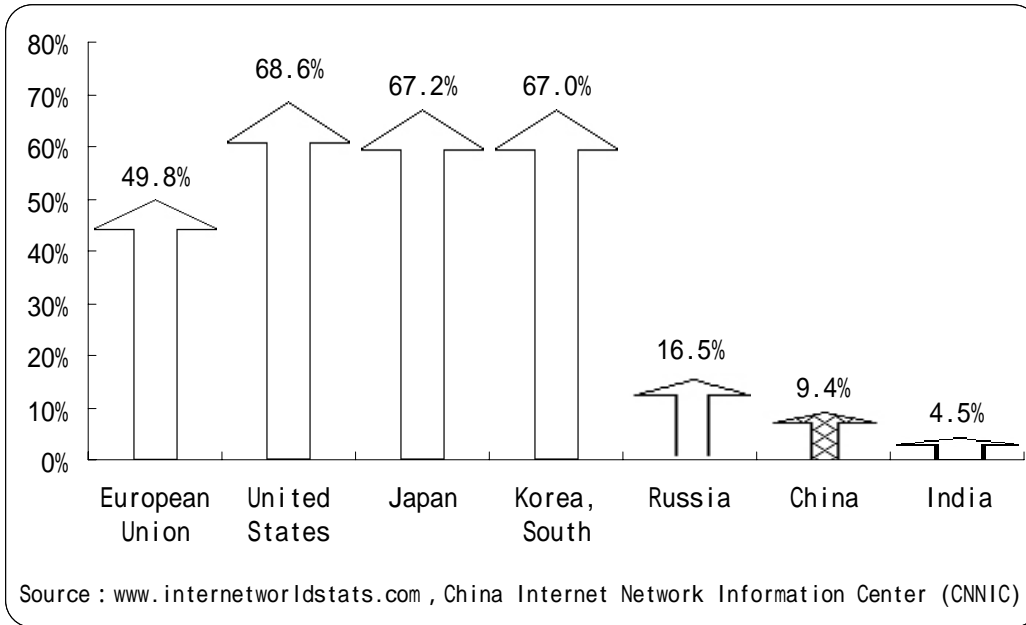


Figure 3.1 Comparison of world Internet development in penetration rate

Note: data updated due to the quarter of 2006 in EU and the USA, data updated due to the end of 2005 in Japan, S Korea and India, Data updated due to June, 2006 in China

2 . Discrepant analysis of Internet development between cities and countryside in China

The penetration rates are both increasing in urban area and rural area in China, but urban areas develop at a more rapid speed. Data in June, 2006 presented that the urban penetration rate is six times as it is in rural area (see Figure 3.2). It's expected that this gap will become larger for a long period.

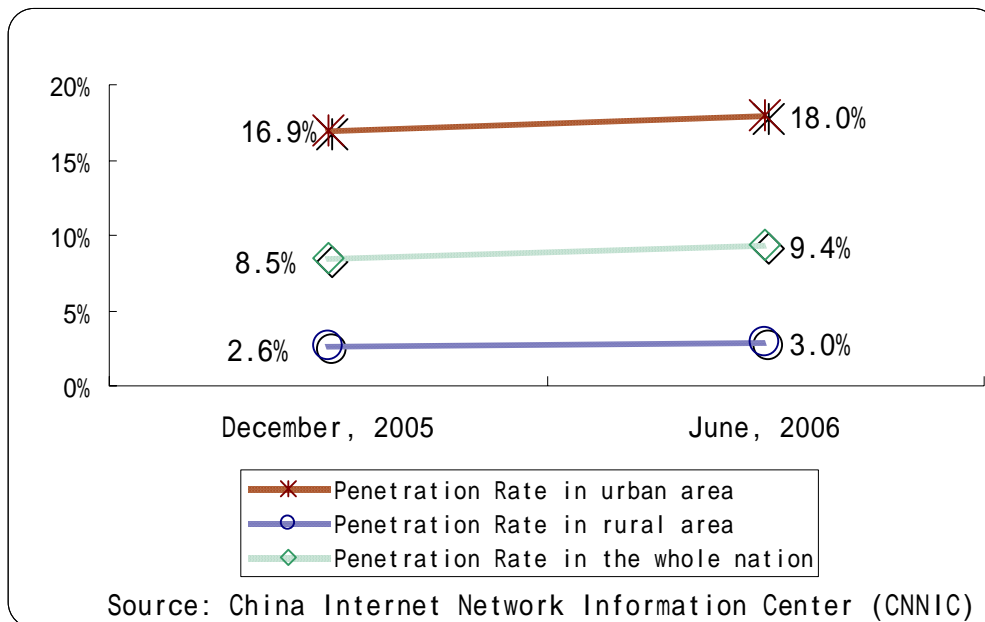


Figure 3.2 the penetration rates between urban and rural area in china

3 . Discrepant analysis of Internet Development among east, middle and west in China

The gap between east and middle/west is evident (see Figure 3.3). Compared with the end of 2005, national penetration rate raised 1% in general, meanwhile the rate in each part of China rose a little bit

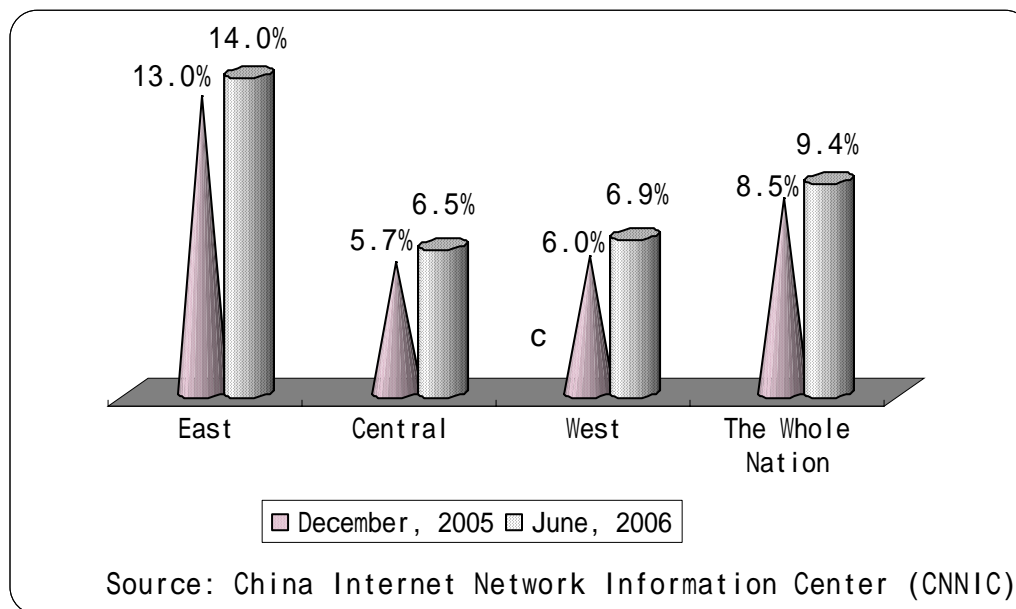


Figure 3.3 the penetration rates among east, middle and west in China

Table 3.1 shows some figures regarding to east, middle and west part of China. Same as penetration rates, huge gap exists between east and middle/west in concerning the volumes of domain names and websites per 10,000 people, moreover, this gap is even more serious than penetration rates. Therefore, it is believed that the underdevelopment of websites and domain names establishment can have a significant effects on penetration rates of Internet. Compared with late 2005, in terms of the volume of domain names per capita, east grows more quickly than middle/west; however, middle/east develops better than east in regard to website volume per capita.

Table 3.1 comparisons of east, middle and west in China Internet development

	Penetration rate	Domain name Number/10,000 People	website number/10,000 people
east	14.0%	44.5	12.2
middle	6.5%	7.9	2.0
west	6.9%	8.2	1.8
Nation	9.4%	22.0	5.9

4 . Analysis of Chinese teenage students using Internet

There are 36 million high school students (including general high school, specialized high school and subordinate specialized high school), 18 million of them has ever used the Internet. Among 60 million middle school students (including general middle schools and specialized middle schools), there are more than 10 million students use Internet. Primary school students, as their age restriction, rarely have Internet experience. Research shows only 2.5 million primary school students among 110 million have ever accessed to Internet (see Figure 3.4)

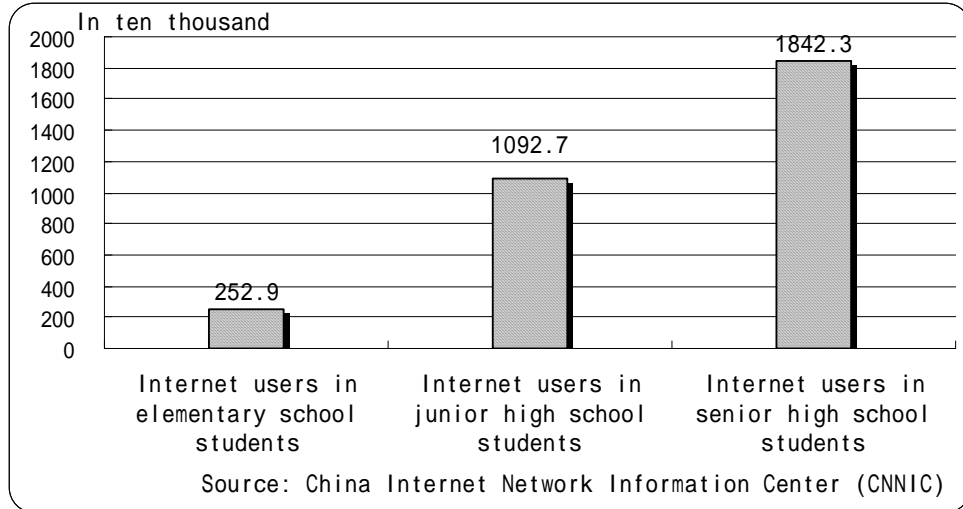


Figure 3.4 Scale of Internet usages among high/middle school students

Generally speaking, Internet penetration rate of high school students exceeds 50%, which can be considered as a rapid development. Meanwhile, the rate in middle school reaches 1/6 of the particular population and the rate in high/middle school student reaches 9.4%, which exceeded national average (see Figure 3.5). Since there are more than 98% primary school students are about to enter middle school, the student proportion is going to be strengthened in Internet users population in the near future.

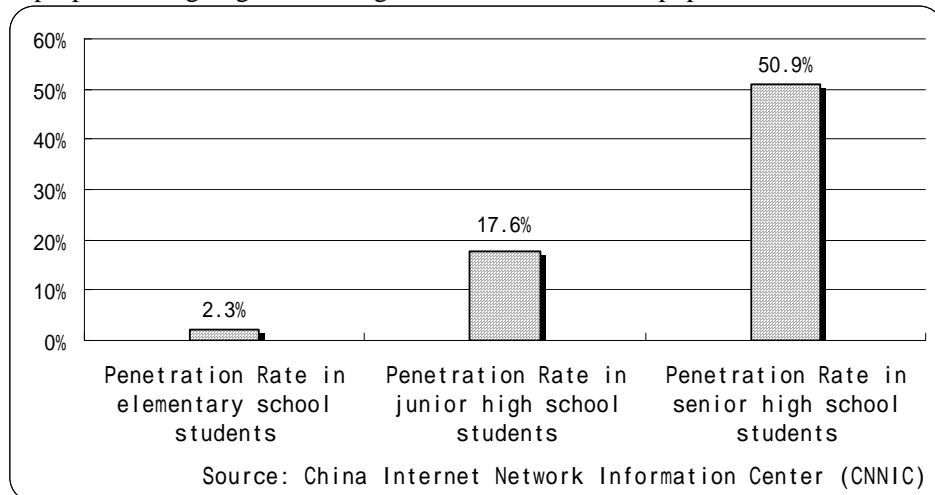


Figure 3.5 the penetration rate of middle/primary school students

Figure 3.6 indicates the Internet usage scales of middle/primary school students in urban and rural areas. According to the comparison of urban and rural area students, Internet usage scale of urban middle students is as twice as rural middle students', even if their population is generally similar. Moreover, such difference concerning primary students is even more overt. Internet users of primary schools in urban are almost three times larger than in rural area; however the general population of urban primary students are just half of its rural opposite. As a number of rural high school students are studying in urban area, who should still count as rural residents, it is unlikely to clearly explore the rate difference between urban and rural high school students. Therefore this research does not take high school students into consideration.

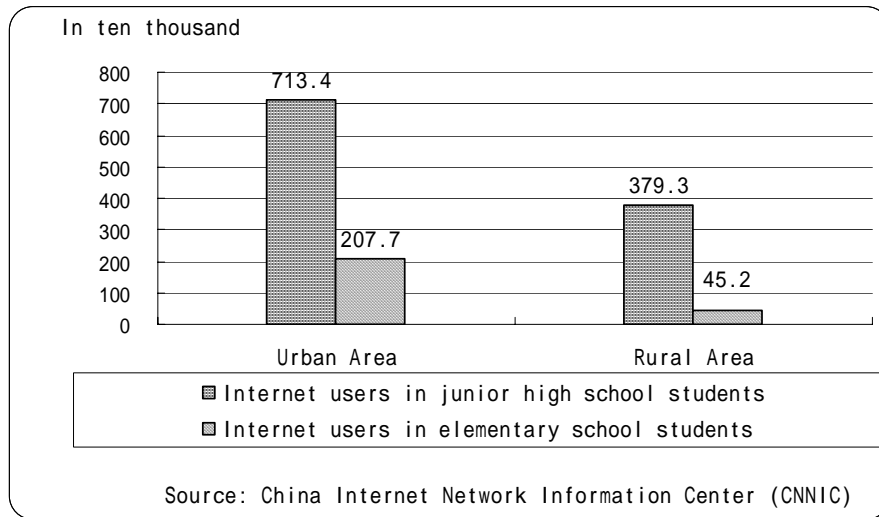


Figure 3.6 Internet usage scales of middle/primary school students in urban and rural area

In terms of the difference of Internet penetration rate between urban and rural area in China, the gap is distinct; additionally, such gap in primary students' Internet development is more serious than in middle students (See Figure 3.7).

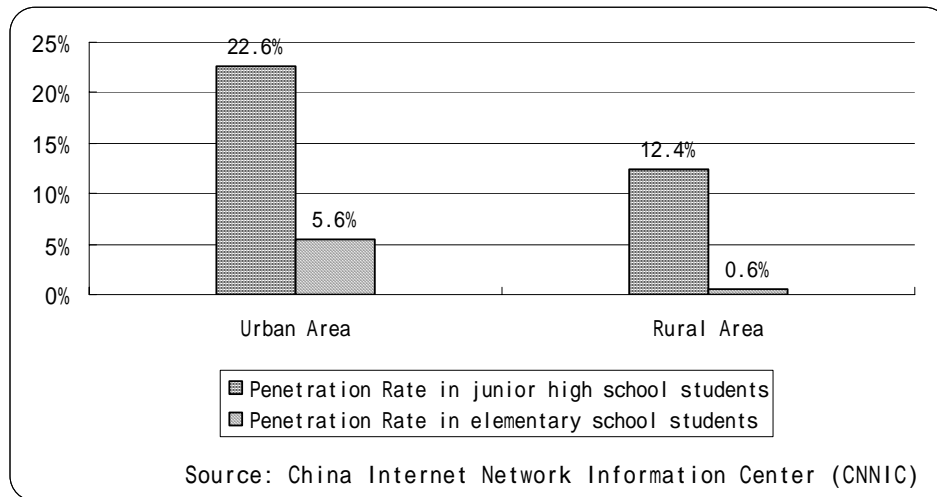


Figure 3.7 Internet penetration rates of middle/primary school students in urban and rural area

II. The analysis of popular Internet applications

Note: data analysis in this section is based on online survey results

Only through a little more than ten years of development, Internet has significantly influence Chinese society as well as Chinese Internet users. For the purpose of job hunting or relatives, a number of people search for jobs and look for Internet education via Internet. There are around 25 million people regularly searching jobs online, whilst almost 15 million people regularly undertake online education. Moreover, web telephone and online booking services are becoming more and more popular, presently there are respectively 9 million and 6 million customers enjoying the benefits from web telephone and online booking services. In terms of Internet entertainment, up to June, 2006, online/download movie and TV program became a 45 million customer market, plus there is a more than 40 million customers market in online or music (radio) download business. It can be predicted that web visual program and digital concert are probably going to boom.

According to customer comments on the value of Internet concerning studying, working, living and entertainment fields, Figure 3.8 indicates two results from June 2005 and June 2006, in which the full mark is 5. Generally speaking, Internet customers appreciate Internet in every fields mentioned, in which all scores are equal or above 4. Compared with last year, benefits of Internet are increasing in all fields, especially in daily life related aspects. It is obviously sure that the positive effect of Internet development in our social progress has been further recognized.

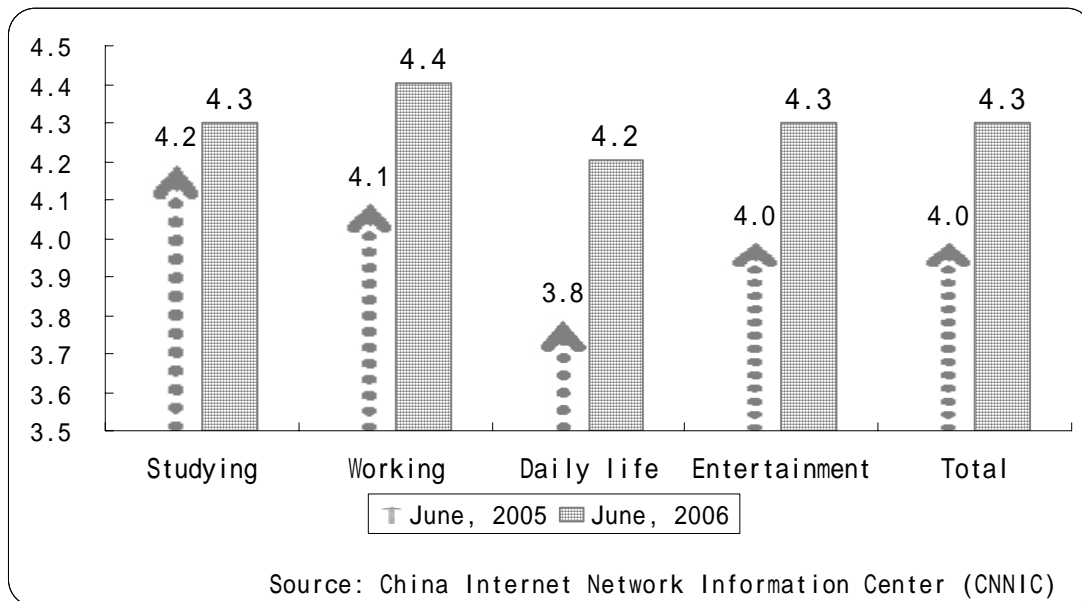


Figure 3.8 Internet benefits for web customers

Research indicates that the users of online game grew tremendously in 2000. One third of game users (31.3%) began playing online games for the first time in 2000. Besides, adults with lower educational background have more probability than those with higher educational background (diploma or above) in involving online games.

Analysis on the location for Internet access figures that customers, who stay in Internet café, are more likely to play online games than those stay in office or at home. Internet café has become a crucial place for online game development

In answering how long players can persist on one online game, roughly one third respondents reply as one month, additionally, they averagely spend eleven hours for the games per week. Providing every single day is comprised of 24 hours, players may spend entire 23.8 days in one year for playing online cyber games, which means almost one month is consumed for it per year.

In terms of the types of online cyber games, the volume of leisure game customers grow rapidly, but the volume of customers of chess/poker games increase slowly. According to educational background, adults who have associate degree or above are more likely to play chess/poker games, however their opposites prefer to choose RPG or leisure games.

The main purposes of involving online game can be concluded as for fun and for killing time. The reason for quitting games are “cost too much time and energy”, there is one thing needed to be mentioned, “for making friends” is the most popular response when student respondents were asked about the purposes of playing online cyber games.

The research concerning e-trading due by June, 2006 shows that almost 30 million people in China purchase online, and one fourth of them was doing very frequently. Compared with the result from same period of last year, the quantity of regular customers raised by 50%. In terms of paying methods, the proportion of online payment grows significantly. However, the implement of online payment and security issue are claimed as the main factors that can intensively influence online purchasing development.

Concerning the causes of consumers not purchasing online, the biggest problem is the unsecured anticipation towards trade process. That is to say, it is expected to continuously strengthen online trade security in trade process, plus enhancing communicational campaign on publicizing the values of online trade services.