The mobile internet industry has been growing at an exponential rate in countries across Asia in the past 3 or 4 years, it has reached a tipping point in 2012, as evidenced in two most populous countries in the region: more Chinese people access the internet through their cellphones than desktop PC, and the mobile internet users in India generated more traffic than on desktop.

**Mobile internet Users Surpassed Desktop Internet Users in China in June 2012**

**Source:** CNNIC, July 2012

**Mobile Internet Traffic Surpassed Desktop Internet Traffic in India**

**Source:** StatCounter, Aug 2012
Mobile Internet in Asia is the Next Big Thing

Cell Phone Gained Much Wider Adoption than Fixed Internet

The economic development in many Asian countries in the past few years has made cell phones available to the mass, many people buy their first cell phone earlier than their first PC, the cell phone has naturally become their entry point to the internet, often times, their only entry point to the internet. A per capita GDP of several thousand dollars is petty compared to the US, however, it’s enough for people in these Asian countries to start their journey of a connected lifestyle through their cell phones.

GDP PPP per capita in US$ (2011)

- US: 48,442
- China: 8,442
- India: 3,650
- Indonesia: 4,666
- Pakistan: 2,789
- Vietnam: 2,793

Source:
http://en.wikipedia.org/wiki/List_of_countries_by_GDP_PPP_per_capita

Source:
US: CTIA, Nov 2011
China: MIIT, March 2011
India: TRAI, May 2012
Indonesia: "Indonesia - Telecom, Mobile, Broadband and Forecasts". Peter Evans, May 2012
Pakistan: "Pakistan Telecom Indicators". PTA, June 2012
Vietnam: ITU, Jan 2011
Mobile Internet in Asia is the Next Big Thing

3 Golden Years Ahead for Smartphone and MI in China Before Approaching the Ceiling of Addressable Market

It does not take much imagination to use a hockey stick growth curve to forecast the smart phone shipment and mobile internet in China given the fact that the Chinese economy is fast growing and China produces world’s most cell phones. The challenge is to identify how far the market will go. UCWeb believes the income level of the Chinese population is a key factor in deciding the growth potential. China has a population of 1.3 billion\(^{(1)}\), 254 million\(^{(2)}\) has a daily income less than 1.25 US dollars\(^{(3)}\), among those above the line, which we assume as being able to afford smartphone or the mobile internet, the population aged between 15 and 64 is 813 million. According to the forecast of iResearch, the number of smartphone users and mobile internet users will approach that number in 2015, this means that the mobile internet industry will keep growing at fast pace in the coming 3 years.

Source: CNNIC, iResearch

Notes
1. According to China’s 2010 Census, China has a total population of 1,371 million, including Hong Kong and Macao, 99.8 million, or 74.5% of them are aged 15 to 64.
2. http://hi.baidu.com/evkpgexaaybaqszq/item/87e654c72b1f773498b498d8
3. The Millennial Development Goals, UN
Asia Driving World Mobile Internet Traffic

The popularity of cell phones in Asia skewed the population toward the mobile internet, when they are able to afford, they use as much as they can, contributing to a share disproportional to the their socioeconomic development level, as shown in the graph below based on StatCounter’s data.

Cisco even envisioned the quick rise of Asia on the world’s mobile internet power map. Cisco extrapolated data from its decade of experience building the world internet infrastructure, created a forecasting tool, which projects that Asia will contribute to the largest share of mobile internet traffic worldwide in 2015. – *Cisco VNI Mobile 2011*
A Comparative Look at the Smartphone Market in China and the US

The US has a clear preference on iPhone and the top 3 handset OEMs claim almost three quarters of the market, while the market in China is more fragmented, the combined share of the top 3 doesn’t amount to half of the market and there are a handful of local players with significant presence.

Smartphone Market Share in China Q2/2012, by Unit Shipment

Source: IHS iSupply Research, Aug 2012

Smartphone Market Share in US Q2/2012, by Unit Shipment

Source: Nielsen, July 2012
The RMB 1,000 Smart Phones Extending Mobile Internet Coverage to Millions in China

Smartphone / mobile internet market took off in China in 2011, when the RMB 1,000 (approx. USD 159) smartphones were introduced to the market. It extended the reach of smartphone to average wage earners in China. These entry level smartphones sports CPU up to 1GHz and screen resolution up to 800*480, making it possible for their owners to enjoy mainstream applications and have a reasonably good experience with mobile browsers.

Huawei C8500: China’s first Android based smartphone that surpassed 1 million units in monthly sales

ZTE V880: Total shipments surpassed 5 million units

Lenovo A Series: Shipment surpassed 1 million in 2 months in China
A Comparative Look at the Application Distribution Channel in China and the US

In the US, most consumers download applications from Apple App Store and Google Play, while in China, the distribution channel is very fragmented, Apple App Store and Google Play only take a minor share of the market, other players, including internet portals, telecom carriers and handset OEMs all participate in the market in one form or another, they have been able to leverage their respective strength and hold on to a niche of the market.

Source: iimedia, June 2012
A Not So Unique Phenomenon - Wireless Only on the Rise, as Exemplified in China

According to a June 2012 survey from the Centers for Disease Control and Prevention in the US, 90 percent of adults living near or below the poverty line live in a household that only uses a wireless device as their family’s telephone. Nationwide, one in three households are wireless only.

In China, partly due to cost constraint and partly by choice, more and more people are using their cell phones as the only device to access the internet. As the cell phone adoption reaches even low income segment of the Chinese society, and more and more young people in cities move more frequently, the percentage of wireless only population keeps on the rise.


Source: CNNIC, Sep 2012
Asian Lifestyle Shaped by Cell Phones

Compared with US users, Asian users are more dependent on mobile internet because of their differences in lifestyle. For example, Asian users are more dependent on public transportation and their hands are freed from driving; in addition, they also live in much more crowded cities where they have relatively less time and space in social activities than their western counterparts, where they mostly socialize and receive entertainment from their cell phones.
A Comparative Look at the Application Consumption Pattern of Users in China and the US

China contributes to 18% of the downloads in App Store in Q2 2012, however, in revenue terms, China contributed only 3.1%. Chinese users have a much lower preference in paid apps, they tend to use more free apps, and their per app spending is only 11% of the US users.

Percentage of Total Downloads by Country (Q2/2012)

- US 28%
- ROW 47%
- China 18%
- Japan 7%

App Store Revenue (Q2/2012)

- US 42%
- ROW 54.9%
- China 3.1%

Source: Stenvall Skoeld & Company
**Browser is “Killer App” for mobile internet user in China**

Apart from voice and SMS, mobile browser is the most used application on a cell phone for mobile internet users in China.

<table>
<thead>
<tr>
<th>Level of Mobile Usage</th>
<th>Level of Mobile Usage</th>
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</thead>
<tbody>
<tr>
<td>1. Voice</td>
<td>1. Voice</td>
</tr>
<tr>
<td>2. Email</td>
<td>2. SMS</td>
</tr>
<tr>
<td>3. Facebook/SNS</td>
<td>3. Browser</td>
</tr>
<tr>
<td>4. SMS</td>
<td>4. Instant messaging</td>
</tr>
</tbody>
</table>

*Source: eMarketer, Arbitron, March 2012*

**Notes**
1. The level of mobile usage in the US is represented by the percentage of survey respondents that are engaged in a particular activity; the level of mobile usage in China is measured by the average usage days per month.
How Chinese Users View the Browser?

Based on UCWeb’s observation on millions of users in China and further verified by UCWeb’s practice with the UC Browser, Chinese users tend to use the browser as a gateway to internet services, i.e. use navigation services to find websites they want to visit, use browser to download apps and games. It is partly due to the fact that internet addresses are not in their native language and it is often problematic inputting them, partly due to China has a collectivist culture, whereas Chinese people tend to select the mainstream or the popular ones. In contrast, the empty start page on a mobile Safari most Americans would see on their iPhones present the browser more as a tool.

The same difference can also be found on QQ – Tencent IM client’s interface and MSN’s interface. The former is the dominant IM client in China, it carries service entry points in its most prominent positions while MSN offers basic menus.
UCWeb’s Perspective on A Typical User of Mobile Browser

As explained in page 11, a lot of user activities take place in the browser, for many, the mobile browser is the only entry point to the internet, and the users activities are reflected in the usage of the browser. Based on the usage statistics of the 300 million (QAU) users that UCWeb has across the world, mostly in Asia, more than 95% of the users use UC Browser to read news, blogs and novels on a monthly basis, and it’s worth pointing out that over 90% of the users conduct their internet searches in the search box on the UC Browser.

95%+
Read news, blog and novels with mobile browser

90%+
Access search engine with search box on the browser

70%+
Download apps with mobile browser

700+
Pages of content consumed

20%+
Mobile gamers

Source: UCWeb’s internal data
Key Facts & Numbers

UCWeb Inc. (UCWeb) is a leading provider of mobile internet software technology and application services. Since its inception in 2004, UCWeb's mission has been to provide better mobile internet experience to billions of users around the world.

- 200+ million MAU, second largest user community by traffic in China.
- 50+ million users for mobile gaming alone.
- 100+ million Smartphone MAU.
- UC Browser is the most used mobile application by monthly effective usage time in China, reported by Arbitron.

Users across 150+ countries

40X growth in 4 years\(^{(2)}\)

Monthly PV > 160 billion

More than 800 R&D engineers

40% market share in Asia\(^{(1)}\)

Source: StatCounter, Sep 2012

Notes
2. Between March 2007 and March 2011