

## China Market Watch

### China's Mobile Infrastructure Equipment Market in 2008

*Chinese domestic equipment vendors take the leadership in China 3G Market.*

After the Chinese government's reorganization, all three of China's mobile telecom operators will be able to provide wireless service to their customers. Consequently, the main mission of the operators in 2008 was to expand and upgrade their wireless networks. Because of the economy recession in the world, iSuppli expect wireless equipment manufacturers will face severe price competition in China 3G market and we also believe domestic equipment vendors will gain much more market share in 3G market than they are in 2G market.

#### **CDMA Market**

China Telecom completed its first CDMA network equipment tender and is upgrading its network capacity in 342 cities. In provincial and second-tier cities, the new network equipment can support EV-DO Rev A. This will allow China Telecom to provide 3G services fairly rapidly after the government assigns licenses.

China Telecom clearly achieved a financially favorable tender. iSuppli estimates that China Telecom spent less than \$800 million on wireless network equipment in 2008, saving more than \$700 million in its planned deployment budget.

Due to its low-price strategy, Huawei took the largest unit share of this contract, accounting for 26 percent of base station shipments. The company obtained deployment contracts for 20 cities and orders for 29,000 transceivers.

However, in terms of revenue, ZTE was the greatest beneficiary of China Telecom's initiative, with contracts for wireless equipment valued at \$185 million.

After the new deployment, China Telecom will have 133,000 Base Transceiver Stations (BTS) installed nationwide. ZTE has the largest overall CDMA base transceiver station market share with 28 percent of the market, followed by Huawei with close to 24.5 percent.

#### **TD-SCDMA Market**

China Mobile closed its second round of tenders for TD-SCDMA network equipment, involving up to 25,000 base station units and covering about 28 cities. Due to dramatic price reductions, the total capital expenditure for this effort will be only \$800 million, \$150 million less than originally forecast.

ZTE gained the largest share of the China Mobile TD-SCDMA contract with the high performance and low price. It now has 25 percent market share of this contract, followed by Datang and Huawei with 24 percent and 18 percent, respectively. Combining the first tender, ZTE takes 34% market share with 110 thousand TRXs, and followed by Datang and Huawei.

During the second tender, Nokia Siemens Networks and Ericsson achieved substantial gains of 8 percent and 5 percent, respectively. China Mobile is prepared to give a reasonable portion of its market share to foreign network manufacturers in order to help encourage their investments in TD-SCDMA technology.

#### **WCDMA Market**

China Unicom has unveiled the first WCDMA tender in Feb. 2009 and which will deploy 77,000 BTS in the 55 cities in China before June 2009. During the WCDMA tender, domestic equipment vendors succeeded again. Huawei took the largest market share with 31 percent, followed by Ericsson and ZTE with 26 percent and 21 percent, respectively. The result of the tender is consistent with our forecast that domestic vendors gained 50 percent of the market share. We believe this is a good opportunity for domestic equipment vendors, because they can gain much experience on the large scale deployment of WCDMA

network and will help them to expand the oversea market.

Based on the above analysis, We ranked the wireless equipment vendors by transceivers in the 3G market. ZTE gained the largest share in the domestic 3G market which has deployed 190 thousand TRXs, including above three standard in the nationwide, and Huawei ranked the second position with almost 150 thousand TRXs. ZTE take the No.1 postions in the TD-SCDMA and CDMA2000 market by the carriers sector. iSuppli project that ZTE will continue to take leadership in the TD-SCDMA for his leading technology and on time delivery. We also think Huawei will benefit for the China Unicom's large scale WCDMA network deployment, and will take the No.1 position in this market. The Chinese domestic equipment manufacturers enjoy the feast of the domestic telecom infrastructure deployment.

**Figure 1 China 3G wireless equipment market share in 2008**

