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Chinese Cell Phone Makers Poised to Challenge Global Leaders in Handset Market

(Austin, Texas – June 27, 2003): Chinese handset makers possess growing capabilities to compete, both in the Chinese domestic market, and in export markets elsewhere in the world, according to results of a study of cellular phones released today by Portelligent, Inc. The product design, IC content, and feature sets of recent GSM handsets introduced in China demonstrate that Chinese handset makers - sometimes working closely with firms in Korea and Taiwan - are increasingly able to bring to market cellular phones that compare favorably with the offerings of major international competitors.

“Having done detailed ‘product teardown’ analyses of over 100 cell phones from around the world in the last three years, we were favorably impressed by the design of these Chinese products, and by the capabilities of the handset makers behind them,” according to David Carey, president of Portelligent. “While still a step behind the major multinationals, Chinese handset makers are rolling out competent products with very competitive manufacturing costs. The rate of progress demonstrated by the Chinese producers and their potential threat to the current pecking order in worldwide handset market share should not be underestimated, particularly for the lower to upper-middle tiers of the market.”



Portelligent’s study report, *Dragons at the Gates: A Survey and Analysis of GSM Handsets in the Chinese Market (2003)*, provides analytical detail on 17 handsets marketed in China by 11 domestic Chinese firms: Amoisonic, Ningbo Bird, Capitel, Eastcom, Haier, Kejian, Konka, Legend, Panda, Soutec, and TCL. These companies, which constitute the first tier of some 25 Chinese handset makers that together hold

over a 25-percent share in China, compete with a dozen large multinational cell phone manufacturers in the Chinese market.

The Portelligent study recorded such system metrics as IC and electronic component counts, total IC die area, and estimated semiconductor cost for each of the target handsets. ICs were identified as to such parameters as maker, part number, die function, and die and package measurements, permitting analysis of which semiconductor makers and electronic component suppliers are securing the most design wins in China. Among the findings of the study:

- While Chinese handset makers all use ICs and components from North American and European device makers in their phones, they often “mix and match” devices in their designs, rather than using an entire chipset from one supplier.



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- On most system metrics, the 2G and 2.5G phones currently offered by Chinese handset makers are comparable to those produced by the major multinationals.
- Fit and finish of the Chinese handsets are good. Product design is also impressive. In at least one case – the Haier P5 Pen Phone, which combines a GSM phone and a laser pointer in a stick-like form factor – a Chinese maker has come forward with a novel design concept.
- Market data strongly suggests that the Chinese handset market is entering a “hyper-competitive” phase that will increase pressures on both domestic makers and the multinationals.

For further information on the Portelligent study of Chinese handsets, please contact Don Stroud (Tel. 1-512-338-3600; e-mail dstroud@portelligent.com)

For additional information about Portelligent, visit the Portelligent Web site at www.portelligent.com or contact the company directly at Tel. 512-338-3600 (E-mail: info@portelligent.com).

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