

**Data Card Market Update:
Chinese Operators Use Varying Strategies**

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Introduction to Update

As of January 2010, China Mobile had about XX million 3G data card users, or nearly XX% of total TD subscribers. China Unicom launched its 3G services in October 2009. Currently, the company has about XX WCDMA data card subscribers. China Telecom has the most CDMA2000 1X 3G data card subscribers of the three operators at about XX million.

China Mobile regards data cards as a development priority since the company is not as competitive in the mobile phone market due to a lack of good outdoor coverage, poor indoor coverage, and lack of attractive mobile handsets, etc. In the short term, China Mobile intends to bundle lower-cost voice service packages with a promotional data card and mobile phone. Its longer-term plans call for network upgrades from TD-SCDMA to 4G as soon as possible.

China Unicom has the advantage of its high-quality WCDMA network and terminal support from a variety of international mobile phone brands. China Unicom is currently focusing on promoting the iPhone as a 3G selling point in the domestic market and is placing less emphasis on data card promotion.

China Telecom has the most data card users of the three operators. Its rapid growth in 3G subscribers is due to its mature EVDO network and the high awareness of CDMA2000 1X data cards. The company is aggressively promoting full-service packages as their strategy and developing three-screen services with the strength of fixed-line, thereby increasing its competitiveness and preventing price competition.

Two factors are adversely affecting the increase in 3G data card shipments. First, inadequate network coverage significantly affects the data card user experience. Second, 3G operators are shifting their development focus from data cards to mobile phones.

HIGHLIGHTS

- As of January 2010, China's operators had a combined total of XX million 3G data card subscribers.
- China Telecom had the most 3G subscribers and 3G data card users as of January 2010.
- Operators will focus on 3G mobile phone promotion in 2010 while continuing to promote 3G data cards.

Report Summary

The 3G data card market has experienced significant growth since our last market update in September 2009. As of January 2010, China Mobile had about XX million 3G data card users. China Unicom launched its 3G services in October 2009 and currently has XX WCDMA data card subscribers. China Telecom has the most CDMA2000 1X 3G data card subscribers of the three operators at about XX million.

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To provide a fuller understanding of the changes that took place in China's 3G data card market between September 2009 and January 2010, this update provides details about the current market status, analyzes operator strategies with respect to data cards, and outlines two major problems that China's 3G data card market faces.

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