

Aggressive Exploration and Sustainable Development

— ZTE Puts Emphasis on R&D to Forge Competitive Edge

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ZTE's Modernized
R&D Center in
Nanjing

ZTE Corporation released its 2002 annual report on March 12, 2003, proclaiming that its main business line revenue and net profit reached 11 billion RMB and 0.57 billion RMB respectively.

As a major manufacturer of telecommunication equipment in China, ZTE constantly puts emphasis on R&D so as to forge competitive edge.

Establishing Scientific Management Platform

Ascertaining innovative entity is the basis of technical innovation. This innovative entity embodies three-level management and two-layer planning.

The first level is called Strategy Planning Committee (SPC), consisting of research insti-

tute experts, industrial and academic authorities and economists. It focuses on medium- and long-term decision making, such as technical development in new areas, new product R&D, core technology R&D, fundamental research and entry and exit barriers in the industrial or product market. The second level refers to the technical management department in the headquarters. The third level refers to product divisions, which is called Product Planning. A special department in each product division will carry out R&D project implementation and assist the technical department in the headquarters to implement medium- and long-term technical plans.

Tracing New Technical Development Trends

As a high-tech company, the key point in keeping long term competitive edge is not only to launch practicable techniques to meet market demands but also to bring insight into technical development trends. This requires a company to establish independent R&D institutes to trace the latest technologies. For this reason, ZTE has established 12 R&D institutes in Nanjing, Shanghai, Shenzhen, Beijing, Xi'an, Chongqing, Chengdu, two in the US and one in Korea. Among them, 9 domestic institutes work in conjunction with product divisions to develop telecommunication products that cover fixed, mobile, data, multimedia and

optical transmission.

In cooperation with the Technical Center in Shenzhen, the four overseas institutes not only perform R&D in such areas as softswitch and CDMA, but also keep close track of and bring in the most advanced technologies and the most recent technical trends in the world.

ZTE actively participates in establishing industrial standards. As a major member of international standardization forums, e.g. MPLS, MEF, IPv6 and MSF, ZTE is the only Chinese member in MEF, IPv6 and MSF. ZTE joined I-TU in July 2002. In China, ZTE is a full-fledged member of six telecommunications standard research groups established by MII. Out of 96 formal industrial standards established by MII, ZTE drafted 70 either as an independent or participant party.

Strengthening Technical Cooperation

Another stimulus to further innovation comes from ZTE's participation in national scientific R&D plans and cooperation with research institutes, universities and foreign enterprises.

Since 1999, ZTE has undertaken many national "863" projects sponsored by government funds, including WCDMA BTS Baseband Transmitting Unit, WCDMA MT Baseband Receiving Unit, OADM, practical broadband integrated access system, and core routers. Representing the vanguard technologies in C3G (China's 3G), optical communication, access network and data network, those projects have already passed relevant tests and have been widely applied. In the year 2001, ZTE Corporation, in accordance with its own R&D plans, took more projects, including C3G Phase 2 projects, the research and realization of WDM extra long distance transmission project, and the wireless network security project. All these projects are going steadily and smoothly.

In addition, other notable achievements have been obtained from the collaboration with companies and universities both domestic and abroad in the fields of data, mobile, multimedia and optical transmission. For instance, ZTE has established joint labs with US Texas Instruments (TI), Motorola, Beijing University of Posts and Telecommunications, University



of Electronic Science and Technology of China, and Tsinghua University.

Serialized Mobile Products

Producing Core Competitiveness

With independent innovative entity and effective governmental support, ZTE has achieved remarkable results in technical innovation. While maintaining its advantages in the areas of switching and access, ZTE has gained new sources of profits by launching new products in mobile communication, broadband data communication and optical communication.

In the area of mobile communication, ZTE has its own complete system solutions in GSM and CDMA. On May 15, 2001, ZTE Corporation won a procurement contract from China Unicom, for the provision of self-developed CDMA network equipment with a capacity of 1.1 million lines, covering 10 provinces nationwide. Its powerful technical strengths were proved again when ZTE won other contracts from China Unicom. These contracts include the bid for constructing CDMA short message centers in 20 provinces, occupying 70% of the market share, the bid for constructing a national backbone wireless intelligent network, a national voucher center and wireless intelligent networks in 11 provinces including Beijing and Shandong Province, occupying 43% of the market share; and the bid for CDMA outdoor repeater, 13% of the market share.

In 2003, ZTE Corporation is putting emphasis on perfecting its R&D system and shaping competitive edge through core technologies so as to fulfill the goal of "forging a famous ZTE brand with competitive edge" set by President Hou Weigui.