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China Wireless Technologies Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

DISCLOSEABLE TRANSACTION

ACQUISITION OF PROPERTY

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Property pursuant to the Auction Confirmation Letter;
“Announcement”	the announcement of the Company dated 23 February 2006;
“Auction”	the public auction held by the Auctioneer in Shenzhen on 20 February 2006 on which, among others, the Property was put up for auction;
“Auctioneer”	深圳市土地房產交易中心 (Shenzhen Property Transaction Centre);
“Auction Confirmation Letter”	a letter dated 21 February 2006 entered into between Yulong Shenzhen and the Auctioneer which confirmed and set out the terms of the Auction;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“Company”	China Wireless Technologies Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange;
“Consideration”	RMB99,000,000, being the consideration of the Property;
“Directors”	directors of the Company;
“Entrusting Party”	廣東省深圳市中級人民法院 (Guangdong Province Shenzhen City Intermediate Level People’s Court);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	an independent third party not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates, as defined in the Listing Rules;
“Joint Bid Agreement”	an agreement dated 16 February 2006 entered into between Yulong Shenzhen and Pusheng pursuant to which the parties agreed to bid for the Property subject to the terms and conditions therein;
“Latest Practicable Date”	16 March 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers issued by the Stock Exchange;
“PRC”	the People’s Republic of China, and except where the context requires, geographical references in this circular to the PRC exclude Hong Kong, Macau Special Administrative Region, and Taiwan;
“Property”	land use rights of Lot No. T401-0091, North District, Hi-New Technology Industrial Park, Shenzhen and buildings thereon;
“Pusheng”	深圳市普晟貿易有限公司 (Shenzhen Pusheng Trading Limited);
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yulong Shenzhen”	宇龍計算機通信科技(深圳)有限公司 (Yulong Computer Telecommunications Scientific (Shenzhen) Co., Ltd.);
“sq. m.”	square metre(s); and
“%”	per cent or percentage.

LETTER FROM THE BOARD



China Wireless Technologies Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

Executive Directors:

Mr Guo Deying (*Chairman*)
Mr Jiang Chao

Non-Executive Directors:

Ms Yang Xiao
Ms Ma Dehui

Independent Non-Executive Directors:

Dr Huang Dazhan
Mr Xie Weixin
Mr Chan King Chung

Registered Office:

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman, the Cayman Islands
British West Indies

*Head office and principal place of
business in the PRC*

8th Floor, Block B
High Tech Plaza
Tian An Cyberpark
Chegongmiao
Shenzhen
PRC

*Principal place of business
in Hong Kong:*

Room 1902, MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

16 March 2006

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF PROPERTY

INTRODUCTION

Reference is made to the Announcement. On 21 February 2006, Yulong Shenzhen, an indirect wholly-owned subsidiary of the Company and a wireless solution and equipment provider in the PRC, and the Auctioneer signed the Auction Confirmation Letter, pursuant to which Yulong

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Shenzhen confirmed the acquisition of the Property which Yulong Shenzhen had successfully bid at the Auction, and agreed to pay the Consideration plus an auction service charge payable to the Auctioneer of RMB1,490,000.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to give you further information of the Acquisition and other information as required under the Listing Rules.

THE AUCTION CONFIRMATION LETTER

Date of signing : 21 February 2006

Parties : *Entrusting Party* : 廣東省深圳市中級人民法院 (Guangdong Province Shenzhen City Intermediate Level People's Court)

Winning bidder : Yulong Shenzhen

Auctioneer : 深圳市土地房產交易中心 (Shenzhen Property Transaction Centre)

Property : *Address* : land use rights of Lot No. T401-0091, North District, Hi-New Technology Industrial Park, Shenzhen, and buildings thereon

Gross floor area : 32,894.7 sq.m.

There are four buildings on the Property with a total construction area of 64,607 sq. m. and the same are sold on an "as is" basis.

Consideration and other charges : RMB99,000,000, which was the final bidding price of the Property offered by Yulong Shenzhen and accepted by the Auctioneer at the Auction. The Auction was held in public, and conducted by way of show of hands.

The Consideration plus an auction service charge of RMB1,490,000, which was payable in cash within three business days from the date of signing of the Auction Confirmation Letter, has been fully paid.

In addition, there was an unpaid land use charge of RMB444,572 in respect of the Property for the period from January 2004 to December 2005.

The auction service charge of RMB1,490,000, the unpaid land use charge of RMB444,572 owed by the previous owner, and the land use charge of approximately RMB20,000 (subject to final determination by 深圳市國土資源和房產管理局 (Shenzhen Municipal Bureau of Land Resources and Housing Management)) payable by Yulong Shenzhen, shall also be borne by Yulong Shenzhen and Pusheng in the respective proportion as agreed in the Joint Bid Agreement. No land premium is payable for the Acquisition. The Board confirmed that if there are other charges, the Company will comply with the requirements of the Listing Rules.

LETTER FROM THE BOARD

THE JOINT BID AGREEMENT

On 16 February 2006, Yulong Shenzhen and Pusheng entered into the Joint Bid Agreement, pursuant to which the parties agreed that Yulong Shenzhen and Pusheng will contribute 75% and 25% of the price of the Property and other related expenses respectively, and will obtain ownership of the Property in such proportion, i.e. Yulong Shenzhen will obtain ownership of 24,671 sq. m. of the gross floor area of the Property with a construction area of 48,455 sq. m. of the three buildings situated thereon, while Pusheng will obtain ownership of the remaining 8,223.7 sq. m. of the gross floor area of the Property with a construction area of 16,152 sq. m. of the remaining building situated thereon. Yulong Shenzhen and Pusheng will separately apply to obtain title certificate(s) for the respective part of the Property and the building(s) thereon. Pursuant to the Joint Bid Agreement, it was agreed between the parties that Yulong Shenzhen would not make a bid if the price of the Property exceeds RMB130,000,000. The parties considered such price to be reasonable considering various factors including the strategic location of the site in the Hi-New Technology Industrial Park, the Property's development potential and its inherent value to the enhancement of the Group's overall corporate image.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The principal activities of its subsidiaries, including Yulong Shenzhen, are provision of wireless solution and equipment in the PRC.

INFORMATION ON OTHER PARTIES

Pusheng and its ultimate beneficial owners are Independent Third Parties. The principal activities of Pusheng are import and export and research and development of hi-tech electronic products in the PRC.

The Auctioneer is a company whose principal business is real property agency and convening of auctions relating to real property.

The Entrusting Party is the Guangdong Province Shenzhen City Intermediate Level People's Court.

CONFIRMATION OF THE DIRECTORS

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry, Pusheng, the Auctioneer and their ultimate beneficial owners are Independent Third Parties.

SOURCE OF FUNDING

Yulong Shenzhen is responsible for 75% of the Consideration, i.e. RMB74,250,000, which was financed by two existing bank loans of RMB20,000,000 and RMB40,000,000 taken out by Yulong Shenzhen on April 2005 and December 2005 respectively (under both of which no security was given), and the balance was paid by Yulong Shenzhen from its internal resources. Since the said bank loans have been drawn down in January 2006, the Acquisition had no significant effect on the liabilities of the Company.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE JOINT BID AGREEMENT AND THE ACQUISITION

Due to expansion of business, the existing office of the Group has almost reached its maximum capacity, and the Group has been seeking opportunities to expand or relocate its office. In addition, the Board considers that relocating to the Hi-New Technology Industrial Park will raise the profile and the overall corporate image of the Group. It is intended that the interest in the Property acquired by Yulong Shenzhen pursuant to the Joint Bid Agreement and the Auction Confirmation Letter will be occupied by the Group for office use. The said 75% interests in the Property will be treated as fixed assets of the Group, and booked in the Group's accounts accordingly.

The Board is of the view that it is more cost-efficient to bid for the Property with the backing of a third party who would take up part of the interests in the Property since the Board considers that the business development of the Group in the foreseeable future would not warrant the acquisition and occupation of the whole of the Property by the Group.

The Board considers that the terms of the Joint Bid Agreement and the Auction Confirmation Letter are fair and reasonable, and the acquisition of part interests of the Property is made in the best interest of the Shareholders as a whole.

DISCLOSEABLE TRANSACTION

The acquisition of part interests in the Property constitutes a discloseable transaction of the Company under the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the appendix headed "General Information" to this circular.

Yours faithfully,
For and on behalf of
China Wireless Technologies Limited
Guo Deying
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the Auctioneer, the Entrusting Party, Pusheng and their ultimate beneficial owner(s) are Independent Third Parties.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors, the chief executives or their associates in the Shares, underlying share and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) are required, section 352 of the SFO, to be entered into the register referred to therein; or (c) are required, pursuant to the Model Code, were as follows:

(i) Long positions in the Shares

Name of director	Note	Number of Shares in which interested					Total	% of Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a discretionary trust		
Mr Guo Deying	1&2	—	207,792,812	14,000,000	—	207,792,812	221,792,812	44.52%
Ms Yang Xiao	1	—	207,792,812	—	—	207,792,812	207,792,812	41.71%
Mr Jiang Chao	3	—	—	—	14,000,000	—	14,000,000	2.81%

(ii) Long positions in shares of associated corporation

Name of director	Note	Name of associated corporation	Number of shares held, capacity and nature of interest		
			Through spouse or minor children	Founder of a discretionary trust	% of issued share capital of the associated corporation
Mr Guo Deying	1	Data Dreamland Holding Limited	1,000	1,000	100
Ms Yang Xiao	1	Data Dreamland Holding Limited	1,000	1,000	100

Notes:

- 1 The entire issued share capital of Data Dreamland Holding Limited (“Data Dreamland”) is held by Barrie Bay Limited (“Barrie Bay”), which is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust, of which 9,999 units are held by HSBC International Trustee Limited (“HSBC Trustee”) acting as the trustee of the Barrie Bay Trust and the remaining 1 unit is held by Ms Yang Hua. The Barrie Bay Trust is a discretionary trust set up by Mr Guo Deying (“Mr Guo”) an executive Director and his spouse, Ms Yang Xiao (“Ms Yang”), a non-executive Director, the beneficiary objects of which include the minor children of Mr Guo and Ms Yang. As at the Latest Practicable Date, each of Mr Guo and Ms Yang is taken to be interested in the 207,792,812 Shares held by Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their children under the Barrie Bay Trust. The long position of each of Mr Guo and Ms Yang under the column “Through spouse or minor children” and the column “Founder of discretionary trust” under the table headed “Long position in shares of the Company” above refers to the same 207,792,812 Shares.

Each of Mr Guo and Ms Yang is taken to be interested in the entire issued share capital of Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their children under the Barrie Bay Trust. The long position of each of Mr. Guo and Ms Yang under the column “Through spouse or minor children” and the column “Founder of discretionary trust” under the table headed “Long position in shares of associated corporation” above refers to the same 1,000 shares in Data Dreamland.

- 2 M. Guo is taken to be interested in the 14,000,000 Shares held by Wintech Consultants Limited as he is interested in the entire issued share capital of Wintech Consultants Limited.
- 3 Mr Jiang Chao, an executive director, is taken to be interested in the 14,000,000 Shares held by Wintech Consultants Limited as he is one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group.

Save as disclosed above, none of the Directors and chief executives had an interest or short position in the Shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, who has an interest or short position in the Shares, underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and interests in such securities and the particulars of any options in respect of such capital, are as follows:

Long positions in the Shares:

Name	Notes	Number of Shares in which interested	Number of Shares in which interested under equity derivatives	Nature of interest	Total number of Shares	% of Company's issued share capital
Data Dreamland Holding Limited	1	207,792,812	—	Beneficial owner	207,792,812	41.81%
Barrie Bay Limited	2	207,792,812	—	Interest of controlled corporation	207,792,812	41.81%
HSBC International Trustee Limited	2	207,792,812	—	Trustee	207,792,812	41.81%
JAFCO Asia Technology Fund	3	33,000,000	—	Beneficial owner	33,000,000	6.64%
JAFCO Asia Technology Fund L.P.	3	33,000,000	—	Interest of controlled corporation	33,000,000	6.64%
JAFCO Asia Technology Holdings Limited	3	33,000,000	—	Interest of controlled corporation	33,000,000	6.64%
JAFCO Investment (Asia Pacific) Limited	3	33,000,000	—	Interest of controlled corporation	33,000,000	6.64%
JAFCO Co., Ltd.	3	33,000,000	—	Interest of controlled corporation	33,000,000	6.64%
Nomura Holdings, Inc.	3	33,000,000	—	Interest of controlled corporation	33,000,000	6.64%

Notes:

- The entire issued share capital of Data Dreamland is held by Barrie Bay. Barrie Bay is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust of which 9,999 units are held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Trust and the remaining 1 unit is held by Ms Yang Hua. The Barrie Bay Trust is a discretionary trust set up by Mr Guo and Ms Yang and the discretionary objects of which include the minor children of Mr Guo and Ms Yang.
- The 207,792,812 Shares are held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee.
- The 33,000,000 Shares are held by JATF, a company 100% beneficially owned by JAFCO Asia Technology Fund L.P.

JAFCO Asia Technology Fund L.P. is a limited partnership which is managed by its sole general partner, JAFCO Asia Technology Holdings Limited. JAFCO Co., Ltd. has a 44.38% interest in JAFCO Asia Technology Fund L.P. JAFCO Asia Technology Holdings Limited is 100% beneficially owned by JAFCO Investment (Asia Pacific) Ltd.

JAFCO Investment (Asia Pacific) Ltd. is 100% beneficially owned by JAFCO Co., Ltd.

JAFCO Co., Ltd. is 37.1% beneficially owned by Nomura Holdings, Inc.

Each of JAFCO Asia Technology Fund L.P., JAFCO Asia Technology Holdings Limited, JAFCO Investment (Asia Pacific) Ltd., JAFCO Co., Ltd. and Nomura Holdings, Inc. is taken to be interested in the 33,000,000 Shares held by JATF.

Saved as disclosed above, so far as the Directors are aware, there are no other persons, other than the Directors and chief executives of the Company, who had interests or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any pending or the subject of any threatened litigation or claims of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

6. GENERAL

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, the Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in the PRC is at 8th Floor, Block B, High Tech Plaza, Tian An Cyberpark, Chegongmiao, Shenzhen, PRC.
- (c) The principal place of business of the Company in Hong Kong is at Room 1902, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Butterfield Bank (Cayman) Limited, whose office is at Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, whose office is at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The company secretary and qualified accountant of the Company is Mr Jiang Chao. Mr Jiang is as associate member of the Association of Chartered Certified Accountants, and a certified public accountant in the PRC.