CHINA WIRELESS TECHNOLOGIES LIMITED

中 國 無 線 科 技 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

2005 FINAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Achieved a turnover of HK$354 million, representing an increase of 44.2% over the previous year
- Attained a profit attributable to shareholders of HK$50.9 million, representing an increase of 16.5% over 2004
- Net profit margin was 14.4%, representing a decrease of 3.4% over the corresponding period in 2004
- Basic earnings per share were HK$0.127, representing a decrease of 11% over the same period of the previous year
- The Directors resolved to recommend the payment of a final dividend, subject to the approval of shareholders, of HK$0.02 per share for the year ended 31 December 2005

The board ("Board") of directors ("Directors") of China Wireless Technologies Limited (the "Company") is pleased to present the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2005, together with the audited comparative figures for the same period of 2004.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
REVENUE	**353,995**	245,545
Cost of sales	**(229,880)**	(146,137)
Gross profit	**124,115**	99,408
Other income and gains	**13,801**	2,966
Selling and distribution costs	**(39,427)**	(25,926)
Administrative expenses	**(34,909)**	(21,758)
Other expenses	**(283)**	(1,447)
Finance costs	**(2,979)**	(2,048)
PROFIT BEFORE TAX	**60,318**	51,195
Tax	**(9,442)**	(7,528)
PROFIT FOR THE YEAR	**50,876**	43,667
DIVIDENDS		
Interim	**4,000**	—
Proposed final	**9,964**	8,000
	13,964	8,000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY		
Basic	**12.66 cents**	14.26 cents
Diluted	**12.55 cents**	14.26 cents

CONSOLIDATED BALANCE SHEET

	31 December 2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**39,095**	32,256
Intangible assets	**25,373**	7,229
Total non-current assets	**64,468**	39,485
CURRENT ASSETS		
Inventories	**64,599**	28,559
Trade receivables	**110,652**	105,016
Prepayments, deposits and other receivables	**193,419**	96,644
Due from a related company	**—**	258
Due from directors	**201**	1,094
Pledged deposits	**49,077**	29,890
Cash and cash equivalents	**109,606**	80,352
Total current assets	**527,554**	341,813
CURRENT LIABILITIES		
Trade payables	**27,263**	16,122
Notes payable	**91,360**	13,192
Other payables and accruals	**104,635**	67,937
Interest-bearing bank and other borrowings	**31,716**	56,396
Due to a related company	**106**	—
Due to directors	**164**	100
Tax payable	**21,047**	11,350
Total current liabilities	**276,291**	165,097
NET CURRENT ASSETS	**251,263**	176,716
TOTAL ASSETS LESS CURRENT LIABILITIES	**315,731**	216,201
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**2,035**	1,191
Total non-current liabilities	**2,035**	1,191
Net assets	**313,696**	215,010
EQUITY		
Equity attributable to equity holders of the parent company		
Issued capital	**4,490**	4,000
Reserves	**299,242**	203,010
Proposed final dividend	**9,964**	8,000
Total equity	**313,696**	215,010

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain buildings, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Properties, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property

HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK (SIC)-Int 21	Income Taxes- Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases- Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Except for HKFRS 2, none of the above new and revised HKFRSs has had material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKFRS 2- Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.4 "summary of significant accounting policies" below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 January 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003 and at 31 December 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

Upon the adoption of HKFRS 2, the consolidated current year's profits decreased by HK$3,741,000 as a result of an increase in the employee compensation expense included in administrative expenses while also resulted in an increase in equity.

The effects on basic and diluted earnings per share are as follows:

— basic earnings per share decreased by 0.93 cent.

— diluted earnings per share decreased by 0.92 cent.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

HK (IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK (IFRIC)-Int 5 and HK (IFRIC)-Int 6 do not apply to the activities of the Group. HK (IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China. The Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments in the market of Mainland China. Summary details of the business segments are as follows:

(a) The wireless system solutions segment enables network operators to extend and enhance the transmission quality of their telecommunication networks and support their telecommunication services with management functions and user interface that can provide value-added services to subscribers;

(b) The wireless terminals segment consists of the provision of one-way wireless information receivers currently offered in the form of PDA, fixed wireless terminals mainly for commercial use in office or retail stores and smartphones which integrate a mobile handset and a PDA with wireless applications like e-mail and internet browsing.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

	2005 HK$'000	2004 HK$'000
Segment revenue:		
Wireless system solutions	**28,405**	36,465
Wireless terminals	**325,590**	209,080
Consolidated revenue	**353,995**	245,545
Segment net profit:		
Wireless system solutions	**12,335**	10,944
Wireless terminals	**76,058**	53,198
	88,393	64,142
Unallocated corporate expenses	**(25,096)**	(10,899)
Finance costs, net	**(2,979)**	(2,048)
Profit before tax	**60,318**	51,195
Tax	**(9,442)**	(7,528)
Profit for the year	**50,876**	43,667

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods during the year, after allowances for returns and trade discounts and net of sales tax and value-added tax. All significant intra-group transactions have been eliminated on consolidation.

An analysis of turnover, other revenue and gains is as follows:

	2005 HK$'000	2004 HK$'000
Revenue		
Sale of wireless system solutions and wireless terminals	**353,995**	245,545
Other income and gains		
Gain on disposal of an associate	**—**	1,011
Rental income	**233**	341
Bank interest income	**713**	87
Government grants and subsidies*	**11,191**	869
Maintenance income	**1,206**	166
Sundry income	**458**	492
	13,801	2,966
	367,796	248,511

* The amount mainly represented value added tax ("VAT") refund from a tax bureau and government grants received from a finance bureau to support the Group in research and development.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2005	2004
	HK$'000	*HK$'000*
Cost of inventories sold	**228,534**	146,137
Depreciation	**2,863**	2,700
Amortisation of patents and licences*	**3,408**	—
Research and development costs:		
Product development costs amortised*	**1,771**	2,239
Current year expenditure	**9,915**	7,503
	11,686	9,742
Operating lease rental	**175**	487
Write-back of provision for trade receivables	**(2,027)**	—
Provision for other receivables	**—**	561
Loss on disposal of items of property, plant and equipment	**85**	132
Auditors' remuneration	**1,500**	1,200
Staff costs (including directors' and senior executives' emolument):		
Salaries and wages	**21,793**	19,789
Staff welfare expenses	**1,146**	1,041
Pension scheme contributions	**1,473**	1,338
Equity-settled share option expense	**3,741**	—
Total staff costs	**28,153**	22,168
Foreign exchange differences, net	**(227)**	—
Rental income	**(233)**	(341)
Bank interest income	**(713)**	(87)
Gain on disposal of an associate	**—**	(1,011)

* The amortization of patents and licenses and deferred product development costs for the year are included in "Administrative expenses" on the face of the consolidated income statement.

6. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans wholly repayable within one year	**2,979**	1,700
Discounted notes receivable	**—**	348
	2,979	2,048

7. TAX

No provision for Hong Kong profits tax has been made (2004: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	2004
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong	**—**	—
Mainland China	**9,442**	7,528
Total tax charge for the year	**9,442**	7,528

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises and as approved by relevant tax authorities, Yulong Computer Telecommunications Scientific (Shenzhen) Co., Ltd. ("Shenzhen Yulong"), an indirect wholly-owned subsidiary of the Company accredited as a high-technology enterprise and operates in Shenzhen, was exempted from the corporate income tax of the PRC for the two years starting from the first profitable year of operations and was entitled to a 50% relief from the corporate income tax of the PRC for the following six years. The first profitable year of operations of Shenzhen Yulong was 1996. An income tax rate of 15% was applied for the year ended 31 December 2005.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and a majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before tax	**60,318**	51,195
Tax at the applicable tax rate (2005: 15%, 2004: 15%)	**9,069**	7,679
Expenses not deductible for tax	**1,418**	—
Income not subject to tax	**(1,045)**	(151)
Tax charge at the Group's effective rate (2005: 15.6%, 2004: 14.7%)	**9,442**	7,528

8. DIVIDEND

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interim		
— HK$0.01 per ordinary share (2004: Nil)	**4,000**	—
Proposed final dividend		
— HK$0.02 (2004: HK$0.02) per ordinary share	**9,964**	8,000
	13,964	8,000

The proposed declaration of a final dividend for the year of HK$0.02 per share (equivalent to a dividend of approximately HK$9,964,000) will be subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The register of members of the Company will be closed from 16 May 2006 to 18 May 2006 (both days inclusive) for the purposes of the forthcoming annual general meeting ("AGM") and the proposed declaration of a final dividend. Holders of shares whose name appears on the register of members of the Company as at the close of business of 15 May

2006 will be entitled to attend and vote at the AGM and the proposed final dividend (subject to approval at the AGM) It is expected that, upon obtaining shareholders' approval, the proposed final dividend will be paid on or before 8 June 2006.

A final dividend of HK$0.02 per ordinary share for the year ended 31 December 2004 was paid in 2005 and an interim dividend of HK$0.01 per ordinary share was paid in 2005.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of diluted earnings per share is based on the net profit for the year attributable to ordinary equity holders of the parent company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2005	2004
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to ordinary equity holders of the parent company, used in the basic earnings per share calculation	**50,876**	43,667

	Number of shares	
Shares	**2005**	2004
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**401,745,205**	306,301,370
Effect of dilution — Weighted average number of ordinary shares		
Share options	**3,616,624**	—
	405,361,829	306,301,370

MANAGEMENT DISCUSSION & ANALYSIS

Review of Operations

Turnover

For the year ended 31 December 2005, the Group accomplished a turnover of HK$354.0 million, representing a growth of 44.2% over that of 2004. The increase was principally attributable to sales of the smartphone products which increased by 86% to HK$325.6 million from HK$175.4 million in 2004.

In terms of revenue mix, turnover from smartphones accounted for 92% of the Group's turnover in 2005, as compared with 71% in 2004. Contribution from sales of wireless coverage system decreased from 11% in 2004 to 6% in 2005, while that of integrated telecom business platform decreased from 4% in 2004 to 2% in 2005. Sales from other terminal products vanished in revenue mix was attributable to the upgrading of the Group's wireless terminal products and the changing environment for the market and technologies developments.

	Year ended 31 December			
	2005 HK$ million	**% of turnover**	2004 HK$ million	% of turnover
Wireless systems solutions				
PHS Intelligent Coverage System	**22.1**	**6%**	26.7	11%
Integrated Telecom Business Platform	**6.3**	**2%**	9.8	4%
Subtotal	**28.4**	**8%**	36.5	15%
Wireless terminals				
Smartphones	**325.6**	**92%**	175.4	71%
Fixed wireless terminals	**—**	**—**	32.2	13%
One-way wireless terminals	**—**	**—**	1.5	1%
Subtotal	**325.6**	**92%**	209.1	85%
Total	**354.0**		245.6	

Gross Profit

The Group's gross profit increased by 24.9% to HK$124.1 million in 2005. The gross profit margin decreased by 5.4% to 35.1% in 2005, as compared with 40.5% in 2004. The reasons of the decline included: (1) a smaller proportion of revenue from system solutions, which offered higher gross profit margin, in the revenue mix during the reporting period; (2) the lower gross profit margin of bulk smartphone orders from China Unicom during the reporting period.

Net Profit

For the year ended 31 December 2005, the Group recorded a net profit of HK$50.9 million, representing an increase of 16.5% over 2004. The net profit margin dropped from 17.8% in 2004 to 14.4% in 2005. The major reasons were that, during the reporting period: (1) the gross profit margin of the Group dropped; (2) the Group increased its research and development expenses; and (3) the increase in marketing promotion and brand building expenses.

Selling and distribution costs

Selling and marketing expenses increased by 52% from HK$25.9 million in 2004 to HK$39.4 million in 2005. The increment principally reflected the stepping up of promotional and advertising activities, the higher staff costs as the marketing staff force were enlarged, and the expanded distribution network.

Administrative expenses

Administrative expenses increased by 60% from HK$21.8 million in 2004 to HK$34.9 million in 2005. The increase was mainly attributable to higher research and development expenses as the Group enlarged the research and development staff force specializing in smartphones and 3G.

Income tax expense

In 2005, the Group's income tax expense amounted to HK$9.4 million, as compared to HK$7.5 million in 2004. According to the Income Tax Law of the PRC for Foreign Investment Enterprise and Foreign Enterprises and as approved by relevant tax authorities, the income tax rate of 15% was applied for the year ended 31 December 2005.

Liquidity and Financial Resources

For the year ended 31 December 2005, the Group's operating capital was mainly generated from cash from its daily operations and bank borrowings.

As at 31 December 2005, the Group had a gearing ratio of 47% (based on debt over total assets) (2004: 43%).

As at 31 December 2005, the Group had a current ratio of 52% (based on current liabilities over current assets) (2004: 48%).

Contingent liabilities

As at December 31, 2005, the Group did not have any significant contingent liabilities.

Pledge of assets

As at 31 December 2005, approximately HK$49 million of the Group's bank deposits were pledged to secure notes payable. The Group's office building, with a net book value of approximately HK$29 million (2004:HK$22 million), was pledged to secure a short term bank loan granted to the Group.

Business Activities

As one of the leading wireless data total solutions provider in the PRC, the Group offers innovative products and personalised solutions to satisfy demands of different clients and different industries.

The year of 2005 is an encouraging year. The "Coolpad" brand is widely recognised and enjoys high reputation in the PRC and international smartphone market. In order to further boost the brand awareness of the "Coolpad" brand, the Group actively participated in several domestic and international telecommunication exhibitions.

In 2005, the Group offered 4 new models of smartphones with propriety operation system, including 3 models based on the Linux operating system and 1 model based on Windows CE operating system. The successful development of the Coolpad 728 dual-mode smartphone, which is currently the only smartphone that allows two SIM cards (a GSM card and a CDMA card) to work simultaneously and is the first of its kind in the world, is highly encouraging. The powerful function of the Coolpad 728 dual-mode smartphone immediately attracted huge market interests upon its launch and the Group has secured a large order of 150,000 units of Coolpad 728 dual-mode smartphones from China Unicom in December 2005.

During the reporting period, the Group established close strategic partnerships with well-known enterprises such as Microsoft, Qualcomm, Da Tang and TI. Through the cooperation with Microsoft, the Group is able to offer updated smartphones with more application functions based on Windows CE platform. Through the cooperation with Qualcomm and TI, the Group keeps abreast with the latest 3G technology development trends to ensure that it will be in a position to offer 3G smartphones and 3G wireless data solutions based on WCDMA and CDMA2000 3G standards. In addition, through these cooperation, the Group reduced the production costs for the smartphone products and is able to deploy more resources to product design. Besides the above cooperation, the Group is also actively working with Datang Telecom to develop the TD-SCDMA 3G standard and TD-SCDMA 3G Smartphones and TD-SCDMA wireless data solutions.

Outlook

The Group plans to launch 5 to 6 new smartphone models targeting different customers and telecom operators to provide wireless data total solutions in 2006. Among the 5 to 6 new smartphone models, 4 models will be based on 2.5G network and the others will be based on 3G network. In addition, it is expected that the TD-SCDMA—GSM dual-mode smartphone will be the major model of 3G smartphone to be developed by the Group in 2006.

Besides the smartphone products, with China expected to officially announce its 3G policies soon, the Group sees a promising imminent prospect for the 3G coverage systems and 3G wireless data total solutions in 2006. The Group will further enhance its 3G coverage systems to cater for telecom operators in the PRC. In addition, since wireless data transmission speed in 3G network is markedly quicker than the current 2.5G network, the Group believes that market potential for 3G wireless data solutions is huge.

In 2006, apart from continuing to keep a close working relationship with China Unicom, the Group will also seek to strengthen the cooperation with China Mobile, China Telecom and China Netcom. The Group is currently developing certain products and solutions for China Mobile and China Telecom and expects the turnover from China Mobile and China Telecom to increase in 2006.

Use of Proceeds

The Company was listed on the Main Board of the Stock Exchange on 9 December 2004. As at 31 December 2005, the Company had used up its listing proceeds as set out in the Company's listing prospectus except for the HK$5 million budgeted for strategic investments as the Company has not yet identified suitable investment targets.

In December 2005, the Company and Data Dreamland Holding Limited, a substantial shareholder of the Company and the placing agents entered into an agreement pursuant to which the Company issued and placed 40,000,000 new Shares, at a price of HK$1.05 per Share by way of top up placing. The net proceed from the placement of the Company was approximately HK$40.5 million, which was used as general working capital of the Group, of which approximately HK$35 million was used for the purchase of materials and components for smartphone products, and the balance of approximately HK$5.5 million was used for promotion of the Group's overall corporate and brand image and enhancing the sales network.

Foreign Exchange Exposure

During the reporting period, the Group's expenses, assets and liabilities were mainly denominated in Renminbi. Taking into account the Group's operation and capital needs, the Directors considered that the Group did not have any significant foreign exchange exposure.

Employees and Remuneration Policy

During the year, the staff cost amounted to HK$28,153,000. The remuneration of the Group's employees is commensurate with their responsibilities and market levels, with discretionary bonuses and training given on a merit basis.

Significant Investments

There were no significant investments held by the Group as at 31 December 2005.

Material Acquisition and Disposals during the Year

There were no material acquisitions and disposals of the Company, its subsidiaries and associated companies as at 31 December 2005.

Purchase, redemption or sale of listed securities of the Company

During the period under review, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Audit Committee

The audit committee ("Audit Committee") of the Company, comprising three independent non-executive Directors, namely, Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung (Chairman), has reviewed the accounting principles and practices adopted by the Company and has discussed the audited final control and financial reporting matters. The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 December 2005.

Code of Corporate Governance Practice

Throughout the period under review, except for code provision A.2.1 (division of responsibilities between the chairman and chief executive officer), A.5.4 (establishment of written guidelines in respect of dealings in securities of relevant employees), B.1.1 (establishment of remuneration committee), B.1.3 (specified duties of remuneration committee), B.1.4 (making available of the terms of reference of the remuneration committee), C.3.3 (specified duties of the audit committee), C.3.4 (availability of the terms of reference of the audit committee), the Company has complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. During the year, the Company has taken steps to address the requirements of the majority of the above code provisions. As at 31 December 2005, except for code provision A.2.1 (division of responsibilities between the chairman and chief executive officer), the Company has complied with all other code provisions.

By order of the Board of
China Wireless Technologies Limited
GUO Deying
Chairman

Shenzhen, the People's Republic of China, 12 April 2006

As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Guo Deying, and Mr. Jiang Chao, two non-executive Directors, namely Ms Yang Xiao and Ms Ma Dehui and three independent non-executive Directors, namely Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Chan King Chung.