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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006

Achieved a turnover of HK$434.3 million, representing an increase of 151.9 % over the same period of the previous year.

Gross profit margin is 36.5%, representing a slight decrease of 0.7% over the corresponding period in 2005.

Attained a profit attributable to shareholders of HK$ 62.3 million, representing an increase of 91.1% over the corresponding period in 2005.

Net profit margin is 14.3%, representing a decrease of 4.7% over the corresponding period in 2005.

Basic earnings per Share for the six months ended 30 June 2006 reached HK$0.125, representing an increase of 56%. Diluted earnings per Share for the six months ended 30 June 2006 was HK$0.123.

The Directors resolved to pay an interim dividend of HK$0.01 per Share for the six months ended 30 June 2006.

CONSOLIDATED INCOME STATEMENT

The Board of Directors of China Wireless Technologies Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006, together with the unaudited comparative figures for the same period of 2005. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

		The six months ended 30 June	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
		Unaudited	Unaudited
REVENUE	4	**434,307**	172,396
Cost of sales		**(275,754)**	(108,249)
Gross profit		**158,553**	64,147

Other income and gains	4	**6,996**	4,079
Selling and distribution costs		**(30,362)**	(16,564)
Administrative expenses		**(59,369)**	(10,518)
Other expenses		**(175)**	(860)
Finance costs	6	**(2,370)**	(1,815)
PROFIT BEFORE TAX	5	**73,273**	38,469
Tax	7	**(10,988)**	(5,843)
PROFIT FOR THE YEAR		**62,285**	32,626
DIVIDENDS	8	**4,982**	4,000
Proposed Interim dividend		**4,982**	4,000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	9		
Basic		**12.54 cents**	8.00 cents
Diluted		**12.27 cents**	8.00 cents

CONSOLIDATED BALANCE SHEET

	30-Jun 2006	31-Dec 2005
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**130,877**	39,095
Intangible assets	**22,538**	25,373
Total non-current assets	**153,415**	64,468
CURRENT ASSETS		
Inventories	**95,742**	64,599
Trade receivables	**230,938**	110,652
Prepayments, deposits and other receivables	**233,473**	193,419
Due from directors	**—**	201
Pledged deposits	**4,698**	49,077
Cash and cash equivalents	**32,237**	109,606
Total current assets	**597,088**	527,554
CURRENT LIABILITIES		
Trade payables	**46,566**	27,263
Notes payable	**82,949**	91,360

Other payables and accruals	**91,994**	104,635
Interest-bearing bank and other borrowings	**72,858**	31,716
Due to a related company	**26**	106
Due to directors	**—**	164
Dividend payable	**440**	—
Tax payable	**29,514**	21,047
Total current liabilities	**324,347**	276,291
NET CURRENT ASSETS	**272,741**	251,263
TOTAL ASSETS LESS CURRENT LIABILITIES	**426,156**	315,731
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**2,057**	2,035
Total non-current liabilities	**2,057**	2,035
Net assets	**424,099**	313,696
EQUITY		
Equity attributable to equity holders of the parent company		
Issued capital	**4,982**	4,490
Reserves	**414,135**	299,242
Proposed final dividend	**—**	9,964
Proposed interim dividend	**4,982**	—
Total equity	**424,099**	313,696

2.1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to facilitate an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for the full financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial results announcement for the six months ended 30 June 2006 was unaudited, but has been reviewed by the Audit Committee of the Company.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new standards ,amendments and interpretations to the existing standards have been published and are mandatory for the accounting periods on or after 1 January 2006.

IAS19 (Amendment)	Employee Benefits
IAS39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
IAS39 (Amendment)	The fair value option
IAS 39 and IFRS4 (Amendment)	Financial guarantee contracts
IFRS1 (Amendment)	First-time adoption of international financial reporting standards
IFRIC4	Determining whether an arrangement contains a lease

Management has assessed the relevance of these new standards, interpretations and amendments with respect to the Group's operations and their impact on the Group's accounting policies. In summary:

i) IAS19 (Amendment), IAS39 (Amendment) Cash flow hedge accounting of forecast intragroup transactions, IAS 39 and IFRS4 (Amendment) Financial guarantee contracts and IFRS1 (Amendment) are not relevant to the Group's operations.

ii) IAS39 (Amendment) The fair value option and IFRIC4 did not result in substantial changes to the Group's accounting policies.

The Group has adopted HKFRS2, which is applied to options granted to employees on or after 7 November 2002 and not vested on 1 January 2005. As the Group did not have any employee share options which were granted before June 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 1 January 2005 but an impact on the comparative six months' profits and earnings per share.

Upon the adoption of HKFRS 2, the consolidated current six months' profits decreased by HK$244,199 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 0.049 cent.

— diluted earnings per share decreased by 0.048 cent.

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 operations are principally 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; and

(b) the smartphone segment consists of the provision of dual-mode and single-mode smartphones which integrated the functions of a mobile phone and wireless data applications like e-mail and other industry specific applications.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods during the six months ended 30 June 2006, 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:

	The six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Revenue		
Sale of wireless system solutions and smartphones	**434,307**	172,396
Other income and gains		
Rental income	**—**	146
Bank interest income	**962**	538
Government grants and subsidies*	**3,070**	3,235
Maintenance income	**2,658**	75
Sundry income	**306**	85
	6,996	4,079
	441,303	176,475

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

5. PROFIT BEFORE TAX

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

	The six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Cost of inventories sold	**275,754**	108,249
Depreciation	**1,392**	1,258
Amortisation of patents and licences*	**3,066**	—
Research and development costs:		
Product development costs amortised*	**1,476**	731
Current year expenditure	**38,199**	3,204
	39,675	3,935
Operating lease rental	**52**	52
Loss on disposal of items of property, plant and equipment	**174**	—
Staff costs (including directors' and senior executives' emoluments:		
Salaries and wages	**18,858**	10,610
Staff welfare expenses	**580**	639
Pension scheme contributions	**1,081**	746
Equity-settled share option expense	**277**	—
Total staff costs	**20,796**	11,995
Rental income	**—**	(146)
Bank interest income	**(962)**	(538)

* The amortisation of patents and licenses and deferred development costs for the six months are included in "Administrative expenses" on the face of the consolidated income statement.

6. FINANCE COSTS

	The six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Interest expense on:		
Bank loans repayable in full within one year	**2,370**	1,815
Discounted notes receivable	**—**	348
	2,370	2,048

7. TAX

No provision for Hong Kong profits tax has been made (2005: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the reporting periods. 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.

	The six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Current year provision:		
Hong Kong	**—**	—
Mainland China	**10,988**	5,843
Total tax charge for the year	**10,988**	5,843

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 Telecommunication Scientific Co., Ltd ("Shenzhen Yulong"), a wholly-owned subsidiary of the Company operating in Mainland China, which is qualified 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 period ended 30 June 2006.

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:

	The six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Profit before tax	**76,305**	38,469
Tax at the applicable tax rate (2006: 15%, 2005: 15%)	**11,446**	5,770
Expenses not deductible for tax	**—**	73
Income not subject to tax	**(458)**	—
Tax charge at the Group's effective rate (June 2006: 14.4%, June 2005: 15.2%)	**10,988**	5,843

8. DIVIDENDS

The Directors resolved to declare interim dividend of HK$0.01 per Share in respect of the six months ended 30 June 2006 to shareholders whose name appear on the register of members of the Company by close of business on 20 September 2006 (six months ended 30 June 2005: HK$0.01 per Share) For this purpose the register of members of the Company will be closed from 18 to 20 September 2006 (both days inclusive) during which no transfer of Shares will be effected.

A final dividend of HK$0.02 per Share for the year ended 31 December 2005 has been paid in 2006.

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 six months ended 30 June attributable to ordinary equity holders of the parent Company of HK$62,285,000, and the weighted average number of ordinary shares in issue during the six months ended 30 June 2006 of 496,533,701, as adjusted to reflect the rights issue during the period.

The calculation of diluted earnings per Share is based on the net profit for the six months ended 30 June 2006 attributable to ordinary equity holders of the parent company of HK$62,285,000. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period of 496,533,701, as used in the basic earnings per share calculation and the weighted average number of ordinary shares of 10,956,991 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:

	The six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Earnings		
Net profit attributable to ordinary equity holders of the parent company, used in the basic earnings per share calculation:	**62,285**	32,626
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**496,533,701**	400,000,000
Effect of dilution-Weighted average number of ordinary shares:		
Share options	**10,956,991**	—
	507,490,692	400,000,000

MANAGEMENT DISCUSSION & ANALYSIS

Review of operations

Turnover

For the six months ended 30 June 2006, the Group accomplished a turnover of HK$434.3 million, representing a growth of 151.9% over that of the same period of 2005. The increase was principally attributable to sales of the smartphones products which increased by 167.5% to HK$428.9 million from HK$160.4 million in 2005. During the period under review, approximately 100,000 units of smartphones have been sold, compared to 45,000 units of smartphones sold over the same period of 2005.

In terms of revenue mix, during the period under review, turnover from smartphones accounted for 99% of the Group's turnover, as compared with 93% for corresponding period in 2005. Contribution from sales of wireless system solutions decreased from 7% for the six months ended 30 June 2005 to 1% over the corresponding period in 2006.

	The six months ended at 30 June			
	2006	**% of**	2005	% of
	HK$'000	**turnover**	*HK$'000*	turnover
Wireless systems solutions				
PHS Intelligent Coverage System	**4,876**	**1**	7,488	4
Integrated Telecom Business Platform	**487**	**0**	4,524	3
Subtotal	**5,363**	**1**	12,012	7
Smartphones				
Dual-mode smartphones	**372,052**	**86**	139,008	81
Single-mode smartphones	**56,892**	**13**	21,376	12
Subtotal	**428,944**	**99**	160,384	93
Total	**434,307**		172,396	

Gross Profit

The Group's gross profit increased by 147.2% to HK$158.6 million for the six months ended 30 June 2006. The gross profit margin slightly decreased by 0.7% to 36.5% in the first half of 2006. The reasons of the decline was mainly attributable to a smaller proportion of revenue from wireless system solutions, which offer relatively higher gross profit margin, in the revenue mix during the reporting period.

Selling and distribution costs

Selling and marketing expenses increased by 83.3% from HK$16.6 million for the six months ended 30 June 2005 to HK$30.4 million of the corresponding period in the first half of 2006, however, the ratio for selling and distribution costs over turnover decreased by 2.6% from 9.6% for the six months ended 30 June 2005 to 7% over the corresponding period in 2006.

Administrative expenses

Administrative expenses increased by 464% from HK$10.5 million for the six months ended 30 June 2005 to HK$59.4 million of the corresponding period in 2006. The significant increase was principal attributable to higher research and development expenses for 3G including TDSCDMA, CDMA2000 and WCDMA and the employment of more research and development staff.

Income tax expenses

For the six months ended 30 June 2006, the Group's profit tax charge amounted to HK$11 million, as compared to HK$5.84 million for the same period in 2005. 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 six months ended 30 June 2006, which is same as that of the corresponding period of 2005.

Net Profit

For the six months ended 30 June 2006, the Group recorded a net profit of HK$62.3 million, an increase of 91.1% over the same period of 2005. The net profit margin dropped from 18.9% in the first half of 2005 to 14.3% in the first half of 2006. The major reasons were that the Group significantly increased its expenses in research and development, including the purchase of 3G equipment and the employment of more research and development staff.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group's total assets amounted to HK$750.4 million (2005: HK$420.4 million) whereas the Group's current liabilities was HK$324.3 million (2005: HK$179.6 million).

As at 30 June 2006, the Group had a gearing ratio of 43% (based on total debt over total assets) (2005: 43%) and a current ratio of 1.8 (based on current assets over current liabilities) (2005: 2)

BUSINESS ACTIVITIES

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

In the reporting period, the Group successfully developed 4 new models of smartphones with propriety operation system, including one GSM-GSM model, one PHS-GSM model and two CDMA models. The successful development of these series of multi-mode products means that the Group had fully mastered multi-mode technologies and established itself as one of the leaders of multi-mode technologies. Besides these multi-mode technologies based on 2.5G networks (CDMA network, GSM network and PHS network), in the reporting period, the Group also successfully developed 3G TDSCDMA-GSM dual-mode smartphone which is being tested in TDSCDMA trial network.

During the report period, the Group achieved outstanding performances. The Group delivered approximately 100,000 units of smartphones, among which approximately 80,000 units were CDMA-GSM dual-mode smartphones, 5,000 units were PHS-GSM dual-mode smartphones, approximately four hundreds units were GSM-GSM dual-card smartphones and the remaining numbers were CDMA smartphones.

OUTLOOK

During the second half of 2006, the Group will launch 5 to 6 new smartphone models targeting different customers and telecom operators to provide wireless data total solutions. Among the new smartphone models, 2 will be CDMA-GSM dual-mode smartphone and 2 models will be CDMA smartphone for China Unicom, 1 PHS-GSM dual-mode for China Telecom and China Netcom and 1 model of TDSCDMA-GSM will be for TDSCDMA network telecom operators.

Besides the smartphone products, with China expected to formally announce its 3G policies in the foreseeable future, the Group sees a promising imminent prospect for the 3G coverage systems and 3G wireless data total solutions in the second half of 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 would be huge. During the reporting period, the Group place more resources on the research and development of 3G technologies and has also achieved outstanding performances. The Group believes such investment will benefit the long term development of the Group.

The Group's "Coolpad" brand has been a famous brand name in the CDMA smartphone and multi-mode smartphone market. With the Group successfully obtained the GSM and CDMA handset licenses from NDRC (National Development and Reform Commission) in the first half of 2006, further marketing efforts will be made to promote its "Coolpad" brand.

USE OF PROCEEDS

The Company was listed on the Main Board of the Stock Exchange on 9 December 2004. As at 30 June 2006, 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.

In December 2005, the Company and Data Dreamland Holdings Limited ("Data Dreamland"), 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 proceeds from the placement of the Company were approximately HK$40.5 million, of which HK$35 million had been utilised for the purchase of materials and components, and of which HK$5.5 million for marketing and promotion of new smartphone products at 30 June 2006.

In January 2006, the Company and Data Dreamland and the placing agents entered into an other agreement pursuant to which the Company issued and placed 40,000,000 new Shares, at a price of HK$1.22 per Share by way of top up placing. The net proceeds from the placement of the Company were approximately HK$47.6 million, of which HK$40 million had been utilised for the purchase of materials and components and HK$7.6 million for marketing and promotion of new smartphone products at 30 June 2006.

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$20,796,000. The remuneration of the Group's employees are commensurate with their responsibilities and market levels, with discretionary bonuses and training given on a performance-related basis.

Significant Investments

As disclosed in the announcement of the Group dated 23 February 2006, Shenzhen Yulong had successfully acquired a property located in North District, Hi-New Technology Industrial Park, Shenzhen with a total construction area of 48,455 square metres at the consideration of RMB87,076,000 (approximately HK$84,590,000). It is intended that this property will be occupied by the Group for office use.

Material Acquisition and Disposals during the Period

Except for the acquisition of a piece of land and buildings thereon located in the Hi-New Technology Industrial Park of Shenzhen, the PRC as disclosed in the Company's announcement and circular dated 23 February 2006 and 16 March 2006 respectively, there were no material acquisitions and disposals of the Company, its subsidiaries and associated companies for the six months ended 30 June 2006.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company' s articles of association and of the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Audit Committee

The audit committee ("Audit Committee") of the Company comprising four independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited financial statements for the six months period ended 30 June 2006.

Compliance with the Code of Corporate Governance Practices

Code Provision A.2.1 of the Code of Corporate Governance Practices as was set out in Appendix 14 of the Listing Rules ("Code") stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Guo Deying is the chairman of the Board and the Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management and believes that this structure enables the Group to make and implement decision promptly and efficiently. In addition, the Board is of the view that, in view of the currently scale of operations of the Group, the separation of the role of the chairman and chief executive officer of the Company may hinder administrative efficiency and is neither suitable to the Group nor in the interests of shareholders as a whole.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the six months period ended 30 June 2006, in compliance with the Code of Corporate Governance Practices as was set out in Appendix 14 of the Listing Rules.

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

Hong Kong, 31 August 2006

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