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)

2006 FINAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

Achieved a turnover of HK$640.9 million, representing an increase of 81.0% over the year ended 31 December 2005.

Attained a profit attributable to shareholders of HK$53.7 million, representing an increase 5.5% of over the year ended 31 December 2005.

Recorded gross profit of HK$240.0 million, representing an increase of 93% as compared with 2005.

Net profit margin was 8.4%, representing a decrease of 6% over the corresponding period in 2005.

Basic earnings per share were HK$0.1079, representing a decrease of 14.8% over the same period of the previous year.

The Board recommended the payment of a final dividend of HK$0.03 per share for the year ended 31 December 2006, together with an issue of 1 bonus shares on the basis of 1 bonus shares for every 1 existing ordinary shares of the company at par value of HK$0.01 each, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The board (''Board'') of directors (''Directors'') China Wireless Technologies Limited (the ''Company'') is pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to the ''Group'') for the year ended 31 December 2006, together with the audited comparative figures for the same period of 2005.

CONSOLIDATED INCOME STATEMENT

	The year ended at 31 December	
	2006	2005
	HK$'000	*HK$'000*
REVENUE	**640,855**	353,995
Cost of sales	**(400,859)**	(229,880)
Gross profit	**239,996**	124,115
Other income	**17,336**	13,801
Selling and distribution costs	**(86,372)**	(39,427)
Administrative expenses	**(106,830)**	(34,909)
Other expenses	**(991)**	(283)
Finance costs	**(9,455)**	(2,979)
PROFIT BEFORE TAX	**53,684**	60,318
Tax	**—**	(9,442)
PROFIT FOR THE YEAR	**53,684**	50,876
DIVIDENDS		
Interim	**4,982**	4,000
Proposed final	**14,957**	9,964
	19,939	13,964
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic	**10.79 cents**	12.66 cents
Diluted	**10.54 cents**	12.55 cents

CONSOLIDATED BALANCE SHEET

	31 December 2006 HK$'000	31 December 2005 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**134,934**	39,095
Prepaid land lease payments	**11,597**	—
Intangible assets	**22,055**	25,373
Total non-current assets	**168,586**	64,468
CURRENT ASSETS		
Inventories	**248,306**	64,599
Trade receivables	**168,047**	110,652
Prepayments, deposits and other receivables	**308,891**	193,419
Due from directors	**591**	201
Pledged deposits	**44,813**	49,077
Cash and cash equivalents	**83,439**	109,606
Total current assets	**854,087**	527,554

	31 December	
	2006	2005
	HK$'000	HK$'000
CURRENT LIABILITIES		
Trade payables	**61,089**	27,263
Bills payable	**85,963**	91,360
Other payables and accruals	**189,096**	104,635
Interest-bearing bank and other borrowings	**137,451**	31,716
Due to a related company	**110**	106
Due to directors	**17**	164
Tax payable	**14,344**	21,047
Total current liabilities	**488,070**	276,291
NET CURRENT ASSETS	**366,017**	251,263
TOTAL ASSETS LESS CURRENT LIABILITIES	**534,603**	315,731
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**99,532**	—
Deferred tax liabilities	**3,407**	2,035
Total non-current liabilities	**102,939**	2,035
Net assets	**431,664**	313,696
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**4,986**	4,490
Reserves	**411,721**	299,242
Proposed final dividend	**14,957**	9,964
Total equity	**431,664**	313,696

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 Companies Ordinance Chapter 32 of the laws of Hong Kong. They have been prepared under the historical cost convention, except for 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 2006. The results of the 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 on which 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 Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, which give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determination whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as at 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

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, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2–Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

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 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for accounting period beginning on or after 1 January 2009. The standard requires disclosures that enable users of the financial statements to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which the Group operates.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group expects that the adoption of the pronouncements above will have no 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 the Group's customers and operations are mainly located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operation and the products and services they provide. Each of the Group's business segment represents 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. 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 wireless terminals segment is the provision of smartphones, which integrate a mobile phone and a PDA with wireless applications like e-mail and internet browsing, and other mobile phones.

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 2006 and 2005.

	2006	2005
	HK$'000	*HK$'000*
Segment revenue:		
Wireless system solutions	**10,200**	28,405
Wireless terminals	**630,655**	325,590
Consolidated revenue	**640,855**	353,995
Segment net profit:		
Wireless system solutions	**2,336**	12,335
Wireless terminals	**93,202**	76,058
	95,538	88,393
Unallocated corporate expenses	**(32,399)**	(25,096)
Finance costs, net	**(9,455)**	(2,979)
Profit before tax	**53,684**	60,318
Tax	**—**	(9,442)
Profit for the year	**53,684**	50,876

	2006	2005
	HK$'000	*HK$'000*
Segment assets:		
Wireless system solutions	**20,608**	50,881
Wireless terminals	**687,194**	324,097
Unallocated corporate assets	**314,871**	217,044
Total assets	**1,022,673**	592,022
Segment liabilities:		
Wireless system solutions	**3,289**	8,574
Wireless terminals	**267,453**	123,060
Unallocated corporate liabilities	**320,267**	146,692
Total liabilities	**591,009**	278,326
Capital expenditure:		
Wireless system solutions	**—**	—
Wireless terminals	**23,238**	25,956
Others	**89,211**	909
	112,449	26,865
Depreciation:		
Wireless system solutions	**235**	544
Wireless terminals	**964**	622
Others	**3,631**	1,697
	4,830	2,863
Amortisation:		
Wireless system solutions	**—**	—
Wireless terminals	**10,476**	5,179
Others	**255**	—
	10,731	5,179
Surplus on revaluation recognised directly in equity:		
Wireless system solutions	**—**	—
Wireless terminals	**—**	—
Others	**7,039**	4,630
	7,039	4,630

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods, 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 revenue and other income is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of wireless system solutions and wireless terminals	**640,855**	353,995
Other income		
Rental income	—	233
Bank interest income	**1,811**	713
Government grants and subsidies*	**14,426**	11,191
Maintenance income	—	1,206
Sundry income	**1,099**	458
	17,336	13,801
	658,191	367,796

* 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):

	2006 *HK$'000*	2005 *HK$'000*
Cost of inventories sold	**400,859**	228,534
Depreciation	**4,830**	2,863
Amortisation of patents and licences *	**7,242**	3,408
Recognition of prepaid land lease payments	**255**	—
Research and development costs:		
Product development costs amortised *	**3,234**	1,771
Current year expenditure	**8,946**	9,915
	12,180	11,686
Operating lease rental	**1,616**	175
Provision/(write back) of provision for trade receivables	**2,337**	(2,027)
Loss on disposal of items of property, plant and equipment	**943**	85
Auditors' remuneration	**1,637**	1,500
Staff costs (including directors' and senior executives' emoluments):		
Salaries and wages	**60,962**	21,793
Staff welfare expenses	**1,736**	1,146
Pension scheme contributions	**3,062**	1,473
Equity-settled share option expense	**4,736**	3,741
Total staff costs	**70,496**	28,153
Foreign exchange differences, net	**78**	(227)
Rental income	**—**	(233)
Bank interest income	**(1,811)**	(713)

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

6. FINANCE COSTS

	Group 2006 *HK$'000*	 2005 *HK$'000*
Interest on:		
Bank loans wholly repayable within one year	**6,056**	2,979
Bank loans wholly repayable within five years	**35**	—
Bills payable	**3,364**	—
	9,455	2,979

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 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.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Current year provision		
Hong Kong	—	—
Mainland China	—	9,442
Total tax charge for the year	—	9,442

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and the 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, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before tax	**53,684**	60,318
Tax at the applicable tax rate (2006:15%, 2005: 15%)	**8,053**	9,069
Income not subject to tax	—	(1,045)
Expenses not deductible for tax		1,418
Tax losses not recognised	**4,649**	—
Tax exemption/relief	**(12,702)**	—
Tax charge at the Group's effective rate (2006: Nil, 2005:15.6%)	—	9,442

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises and as approved by relevant tax authorities, Shenzhen Yulong Computer Telecommunication Scientific Co., Ltd ("Shenzhen Yulong"), a wholly-owned subsidiary of the Company operating in Shenzhen 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 year ended 31 December 2006. No provision for taxation has been made as Shenzhen Yulong suffered a loss for the year.

Coolpad Software Tech (Shenzhen) Co., Ltd ("Coolpad Software") was set up on 7 March 2006 and commenced operations in September 2006. Coolpad Software also enjoyed an exemption from corporation income tax 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 three years. Since the tax holiday of Coolpad Software commenced in 2006, no provision for income tax was needed in current year.

Dongguan Yulong Computer Telecommunication Scientific Co., Ltd. ("Dongguan Yulong") was set up on 3 November 2006. There were no operations for Dongguan Yulong up to the end of December 2006.

8. DIVIDENDS

	Group 2006 *HK$'000*	2005 *HK$'000*
Interim		
— HK$0.01 (2005: HK$0.01) per ordinary share	**4,982**	4,000
Proposed final dividend		
— HK$0.03 (2005: HK$0.02) per ordinary share	**14,957**	9,964
	19,939	13,964

The proposed declaration of a final dividend for the year of HK$0.03 per share will be subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("AGM"). The register of members of the Company will be closed from 22 May 2007 to 25 May 2007 (both dates inclusive) for the purposes of the proposed declaration of final dividend. Holders of shares whose name appears on the register of members of the Company as at the close of business of 21 May 2007 will be entitled to attend and vote at the AGM and the proposed final dividend and bonus issue of shares (subject to approval at the AGM) It is expected that, upon obtaining shareholders' approval, the proposed final dividend and bonus shares will be paid on or before 15 June 2007.

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

The calculation of the amount of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the 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 the amount of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of 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:

	2006 *HK$'000*	2005 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**53,684**	50,876

Shares	Number of shares 2006	2005
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**497,449,732**	401,745,205
Effect of dilution-weighted average number of ordinary shares:		
Share options	**12,095,605**	3,616,624
	509,545,337	405,361,829

10. EVENT AFTER THE BALANCE SHEET DATE

The directors proposed to issue 1 bonus share for 1 ordinary share at par value of HK$0.01 each held by the existing shareholders, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION & ANALYSIS

Review of Operations

Turnover

For the year ended 31 December 2006, the Group achieved a turnover of HK$640.9 million, representing an increase a growth of 81% over that of the year ended 31 December 2005. The revenue from the smartphones amounted to HK$630.7 million, representing the 98% of the total revenue.

	2006 HK$ million	**% of turnover**	2005 HK$ million	% of turnover
Wireless systems solutions				
PHS Intelligent Coverage System	**10.2**	**2%**	22.1	6%
Integrated Telecom Business Platform	**—**	**—**	6.3	2%
Subtotal	**10.2**	**2%**	28.4	8%
Smartphones				
Dual-mode smartphone	**526.5**	**82%**	297.4	84%
CDMA smartphone	**104.2**	**16%**	28.2	8%
Subtotal	**630.7**	**98%**	325.6	92%
Total	**640.9**		354.0	

Gross Profit

The Group's gross profit increased by 93.4% to HK$240.0 million in 2006. Faced with the hot competition, the gross profit margin of the Group still increased by 2.3% to 37.4% in 2006, as compared with 35.1% in 2005. The increase is attributable to the technology strength of the Group and its well production cost control.

Selling and distribution costs

Selling and marketing expenses largely increased by 119.3% from HK$39.4 million in 2005 to HK$86.4 million in 2006, representing of the 13.5% of the total revenue of the Group. The increment principally reflected the stepping up of promotional and advertising activities, the higher staff costs as the marketing staff force was enlarged, and the extended distribution network. Owing to the market competition, the Group placed more emphasis on market promotion to enhance the "Coolpad" brand reputation.

Administrative expenses

Administrative expenses largely increased by 206.0% from HK$34.9 million in 2005 to HK$106.8 million in 2006, representing of the 16.7% of the total revenue of the Group. The sharply increase was mainly attributable to higher research and development expenses including employing more R&D employee, paying more R&D expense to certain 3G companies such as TI, Qualcomm and Datang and so on.

Income tax expense

In 2006, the Group's profit tax charge is nil, as compared to HK$9.4 million 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, 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 year ended 31 December 2006. No provision for taxation has been made as Shenzhen Yulong suffered a loss for the year.

Coolpad Software was set up on 7 March 2006 and commenced operation in September 2006. Coolpad Software also enjoyed exemption from corporation income tax for the two years starting from the first profitable year of operation and was entitled to a 50% relief from the corporate income tax of the PRC for the following three years. Since the tax holiday of Coolpad Software commenced in 2006, no provision for income tax was needed in current year.

Dongguan Yulong was set up on 3 November 2006. There were no operations for Dongguan Yulong up to the end of December 2006.

Net Profit

For the year ended 31 December 2006, the Group recorded a net profit of HK$53.7 million, representing a slight increase of 5.5% over 2005. The net profit margin largely dropped from 14.4% in 2005 to 8.4% in 2006. The major reasons were that, during the reporting period: (1) the Group increased its research and development expenses; and (2) the Group increased its marketing promotion and brand building expenses.

Business Activities

As one of the leading wireless data total solutions providers and the smartphone (especially dual-mode smartphone) leaders in the world, the Group offers innovative products and personalised solutions to satisfy demands of different clients and various industries for domestic and overseas markets.

The year of 2006 was an exciting year. The "Coolpad" brand was widely recognised and enjoyed enhanced reputation in the PRC and international smartphone market. The "Coolpad" brand became the most famous brand in dual-mode and CDMA smartphone market in the PRC. In order to further boost the brand awareness of the "Coolpad" brand, the Group actively participated in many domestic and global telecommunication exhibitions and also placed a significant amount of advertisement in newspapers, aviation magazine and outdoor media and so on.

In 2006, the Group marketed six new models of smartphones with propriety operation system, including two CDMA-GSM smartphones, one GSM-GSM smartphone, one PHS-GSM smartphone and two CDMA smartphones. The Group successfully developed the Coolpad 288 dual-mode smartphone, which was the first medium-priced dual-mode smarphone to target popular people. With the launch of the Coolpad 288 dual-mode smartphone, an increasing number of customers are becoming attracted to and familiar with the dual-mode smartphone. The Coolpad 728B with its more powerful functions and attractive price attracted huge market interests upon its launch and the Group has secured a large order from China Unicom.

During the reporting period, the Group invested substantial resources in the research and development fields. To establish itself in the market and to be competitive, the Group employed a large number of experienced and skilled R&D engineers. Compared with the same period of last year, the number of R&D engineers increased more than 100%. In addition, to develop top quality and competitively-priced products, the Group actively cooperated with international well-known chipset companies and soft company such as TI, Qualcomm and Microsoft. To capture the TD-SCDMA 3G market and secure a leading advantage, the Group established close strategic partnerships with Tatang Telecom company, the leading TD-SCDMA 3G standard developer. The Directors believe that these cooperations and the huge investment in R&D will yield successful outcomes and help to maintain the competitive advantage and market leader position in future.

Liquidity and Financial Resources

For the year ended 31 December, 2006, the Group's operating capital was mainly generated from cash from its daily operations and bank borrowings.

- As at 31 December 2006, the Group had a gearing ratio of 58% (based on debt over total assets) (2005 : 47%)
- As at 31 December 2006, the Group had a current ratio of 1.7 (based on current assets over current liability) (2005 : 1.9)

Outlook

The Group plans to launch at least 12 new smartphone models targeting different customers and telecom operators for different countries to provide wireless data total solutions in 2007. Among the 12 new smartphone models, 10 models of which will be based on 2.5G network and the remainder will be based on TD-SCDMA 3G network. The Directors believe that the TD-SCDMA-GSM dual-mode smartphone will be marketed in the second half of 2007. The 3 models based on 2.5G network will target the overseas market. The revenue from overseas market is expected to increase largely in 2007.

In 2007, apart from continuing to keep a close working relationship with China unicom, the Group will also put more emphasis on cooperation with other telecom operators. Currently, the GSM-GSM dual-mode smartphone is being tested. The Directors believe that the Group will receive some orders of GSM-GSM smartphone in the first half of 2007. With various dual-mode smartphones marketed in 2007, the Group is actively seeking various distributors of its dual-mode smartphone products with a view to expanding its customers base.

In the second half of 2007, the Group will move to a new larger building from its current office premises. The move will markedly improve the administrative efficiency of the Group.

As a R&D enterprise, the Group always places the R&D at a very important position. In 2007, the Group will continue to adopt active R&D strategies to keep its technology strengths through employing engineers with high caliber, further cooperation with other R&D enterprises and perfecting its R&D management system.

Use of Proceeds

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2004. As at 31 December 2006, the Company had used up its listing proceeds as set out in the Company's listing prospectus except for the HK$5 million intended for strategic investments.

In December 2005, the Company and Data Dreamland Holdings 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 proceeds from the placement of the Company were approximately HK$40.5 million, which had been used up as at 31 December 2006.

In January 2006, the Company and Data Dreamland Holdings 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$1.22 per share by way of top up placing. The net proceeds from the placement of the Company were approximately HK$47.6 million, which had been used up as at 31 December 2006.

Pledge of assets

As at 31 December 2006, approximately HK$40 million of the Group's bank deposits was pledged to secure notes payable and HK$5 million of the Company's bank deposits was pledged to secure a letter of credit. The Group's leasehold land with a net book value of approximately HK$11.6 million was pledged to secure a short term bank loan of HK$59.7 million and a long term bank loan of HK$99.5 million granted to the Group.

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$70.5 million. 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 2006.

Material Acquisition and Disposals during the Year

There were no material acquisitions and disposals of the Company and its subsidiaries as at 31 December 2006.

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 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 audited financial statements for the year ended 31 December 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 Rules Governing the Listing of Securities on the Stock Exchange (''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 year ended 31 December 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, 11 April 2007

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.