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)

2008 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the year ended 31 December, 2008 are summarised as follows:

- The Group recorded a turnover of HK$1,007.1 million as compared with HK$1,277.7 million in the previous year, representing a 21.2% decrease.
- Net loss attributable to shareholders was HK$76.1 million as compared with a net profit of HK$167.5 million in the previous year.
- Basic loss per share was HK$3.75 cents (2007: basic earnings per share of HK$8.33 cents).
- No dividend was declared (2007: HK$0.005 per ordinary share).

The board (the "Board") of directors (the "Directors") of 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 as the "Group") for the year ended 31 December 2008, together with the audited comparative figures for the same period of 2007.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	4	**1,007,135**	1,277,663
Cost of sales		**(649,049)**	(756,350)
Gross profit		**358,086**	521,313
Other income and gains	4	**59,518**	64,499
Selling and distribution costs		**(200,851)**	(213,548)
Administrative expenses		**(256,816)**	(192,481)
Other expenses		**(978)**	(709)
Finance costs	6	**(22,670)**	(11,585)
Share of profit and loss of an associate		**(596)**	31
PROFIT/(LOSS) BEFORE TAX	5	**(64,307)**	167,520
Tax	7	**(11,769)**	–
PROFIT/(LOSS) FOR THE YEAR		**(76,076)**	167,520
DIVIDENDS	8		
Difference between the proposed final 2006 dividend and the actual dividend paid		**–**	169
Interim		**–**	10,115
		–	10,284
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**(3.75) cents**	8.33 cents
Diluted		**N/A**	7.98 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**285,481**	345,680
Investment properties		**243,669**	28,917
Prepaid land lease payments		**63,437**	12,155
Intangible assets		**96,577**	36,665
Interest in an associate		**8,516**	8,583
Other non-current assets		**24,680**	–
Total non-current assets		**722,360**	432,000
CURRENT ASSETS			
Inventories		**235,681**	288,686
Trade receivables	*10*	**269,893**	168,692
Bills receivable	*11*	**11,812**	40,080
Prepayments, deposits and other receivables		**150,988**	194,131
Due from directors		**93**	134
Pledged time deposits		**69,533**	29,204
Cash and cash equivalents		**124,915**	91,222
Total current assets		**862,915**	812,149
CURRENT LIABILITIES			
Trade payables	*12*	**160,194**	87,879
Bills payable	*13*	**88,158**	36,431
Other payables and accruals		**183,320**	157,355
Interest-bearing bank and other borrowings		**264,086**	187,601
Due to an associate		**6,951**	7,386
Tax payable		**15,987**	15,064
Total current liabilities		**718,696**	491,716
NET CURRENT ASSETS		**144,219**	320,433
TOTAL ASSETS LESS CURRENT LIABILITIES		**866,579**	752,433

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**201,281**	79,091
Deferred tax liabilities		**19,380**	11,992
Long term rental deposits		**4,819**	–
Total non-current liabilities		**225,480**	91,083
Net assets		**641,099**	661,350
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**20,401**	20,230
Shares held for the Share Award Plan	14	**(2,835)**	–
Reserves		**623,533**	641,120
Total equity		**641,099**	661,350

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, 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.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no financial effect on these financial statements.

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, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments 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 mobile phone segment engages in the research, development, production and sale of mobile phones; and

(b) the property investment segment invests in properties for their rental income potential and/or for capital appreciation.

Segment information was not presented in the Group's prior year financial statements because all of the Group's revenue and contribution to its operating profit were derived from the research, development, production and sale of mobile phones in prior years. During the year, property investment segment was identified as a reportable segment as it satisfied the relevant 10 percent thresholds in accordance with the requirements of HKAS 14 "Segment Reporting". Accordingly, comparative amounts have been restated to reflect the newly identified property investment segment.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008

	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**1,007,135**	**–**	**1,007,135**
Other revenue	**33,366**	**23,766**	**57,132**
Total	**1,040,501**	**23,766**	**1,064,267**
Segment results	**(62,534)**	**20,085**	**(42,449)**
Interest income			**2,386**
Corporate and other unallocated expenses			**(978)**
Finance costs			**(22,670)**
Share of loss of an associate	**(596)**	**–**	**(596)**
Loss before tax			**(64,307)**
Tax			**(11,769)**
Loss for the year			**(76,076)**
Assets and liabilities			
Segment assets	**1,128,956**	**253,355**	**1,382,311**
Interest in an associate	**8,516**	**–**	**8,516**
Corporate and other unallocated assets			**194,448**
Total assets			**1,585,275**
Segment liabilities	**431,672**	**4,819**	**436,491**
Due to an associate	**6,951**	**–**	**6,951**
Corporate and other unallocated liabilities			**500,734**
Total liabilities			**944,176**
Other segment information:			
Depreciation and amortisation	**41,439**	**158**	**41,597**
Capital expenditure	**250,769**	**41,987**	**292,756**
Impairment losses recognised in the income statement	**6,410**	**–**	**6,410**
Impairment losses reversed in the income statement	**5,689**	**–**	**5,689**
Fair value gains on investment properties	**–**	**9,990**	**9,990**
Product warranty provision	**12,948**	**–**	**12,948**

Year ended 31 December 2007

	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	1,277,663	–	1,277,663
Other revenue	62,726	–	62,726
Total	1,340,389	–	1,340,389
Segment results	178,010	–	178,010
Interest income			1,773
Corporate and other unallocated expenses			(709)
Finance costs			(11,585)
Share of profit of an associate	31	–	31
Profit before tax			167,520
Tax			–
Profit for the year			167,520
Assets and liabilities			
Segment assets	944,100	171,040	1,115,140
Interest in an associate	8,583	–	8,583
Corporate and other unallocated assets			120,426
Total assets			1,244,149
Segment liabilities	278,609	–	278,609
Due to an associate	7,386	–	7,386
Corporate and other unallocated liabilities			296,804
Total liabilities			582,799
Other segment information:			
Depreciation and amortisation	23,393	–	23,393
Capital expenditure	174,120	54,006	228,126
Impairment losses recognised in the income statement	5,367	–	5,367
Product warranty provision	24,961	–	24,961

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and trade discounts, and after eliminations of all intra-group transactions.

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

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of mobile phones	**1,007,135**	1,277,663
Other income		
Bank interest income	**2,386**	1,773
Government grants and subsidies *	**31,430**	60,870
Gross rental income	**13,776**	–
Others	**1,936**	1,856
	49,528	64,499
Gains		
Fair value gains on investment properties	**9,990**	–
	59,518	64,499

* *Government grants and subsidies represented refunds of VAT paid from a tax bureau and government grants received from a finance bureau to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies relating to these grants.*

5. PROFIT/(LOSS) BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**642,639**	756,350
Depreciation	**18,074**	10,438
Amortisation of patents and licences *	**16,465**	9,433
Recognition of prepaid land lease payments	**1,107**	298
Research and development costs:		
Product development costs amortised *	**5,951**	3,224
Current year expenditure	**57,780**	21,903
	63,731	25,127
Impairment/(reversal of impairment) of trade receivables	**(5,689)**	5,367
Provision for inventories	**6,410**	–
Loss on disposal of items of property, plant and equipment	**483**	1
Net rental income	**(9,829)**	–
Changes in fair value of investment properties	**(9,990)**	–

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

6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**28,132**	16,254
Discounted bills receivable	**3,552**	2,416
	31,684	18,670
Less: Interest capitalised	**(9,014)**	(7,085)
	22,670	11,585

7. TAX

The Company is a tax exempted company registered in the Cayman Islands and conducts substantially all of its business through its subsidiaries established in Mainland China (the "PRC Subsidiaries").

No provision for Hong Kong profits tax has been made (2007: 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.

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**5,539**	–
Deferred	**6,230**	–
Total tax charge for the year	**11,769**	–

In accordance with the Income Tax Law of the People's Republic of China (the "PRC") on Enterprises with Foreign Investment and Foreign Enterprises, the Company's PRC Subsidiaries, being foreign investment enterprises, were subject to a preferential PRC corporate income tax rate (the "CIT") of 15% in prior years.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but not limited to, the unification of the CIT rates for domestic-invested and foreign-invested enterprises at 25%.

In accordance with "Guo Fa [2007] No. 39" promulgated on 26 December 2007:

(a) from 1 January 2008, for enterprises that enjoy a preferential CIT rate of 15%, the CIT rate will be transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; and

(b) from 1 January 2008, enterprises that originally enjoyed the preference of regular tax reduction and exemption, will continue to enjoy the original preference in accordance with the preferential measures and terms stipulated by the original tax law, administrative regulations and relevant documents until the expiration of the preference.

Coolpad Software Tech (Shenzhen) Co., Ltd. ("Shenzhen Coolpad"), the Company's wholly-owned subsidiary, has been assessed as a high-technology enterprise and was exempted from CIT for the two years ended 31 December 2006 and 2007 and is entitled to a 50% reduction in the applicable tax rate for CIT for the three years ending 31 December 2010. In this connection, Shenzhen Coolpad was subject to CIT at a rate of 7.5% for the current year. Yulong Computer Telecommunications Scientific (Shenzhen) Co., Ltd., the Company's wholly-owned subsidiary, has also been assessed as a high-technology enterprise and was subject to CIT at a rate of 15% for the current year. The other PRC Subsidiaries were subject to CIT at a rate of 18% for the current year.

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and jurisdiction of the foreign investors. On 22 February 2008, "Caishui [2008] No. 1" was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from withholding tax. As at 31 December 2008, there was no material unrecognised deferred tax liability for withholding tax that would be payable on the unremitted earnings of the Group's PRC Subsidiaries.

8. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Difference between the proposed final 2006 dividend and the actual dividend paid *	**–**	169
Interim – nil (2007: HK$0.005) per ordinary share	**–**	10,115
	–	10,284

* *Certain share options were exercised during the period between the date when dividend was proposed and the date when payment was made. Accordingly, the number of shares that were eligible for dividend payment increased which resulted in the difference.*

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) 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 dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2008	2007
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	**(76,076)**	167,520

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,031,008,877**	2,011,069,545
Effect of dilution – weighted average number of ordinary shares – Share options	**–**	89,345,331
	2,031,008,877	2,100,414,876

A diluted loss per share amount for the year ended 31 December 2008 has not been disclosed as no diluting events existed during that year.

10. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**275,911**	179,779
Less: Impairment	**(6,018)**	(11,087)
	269,893	168,692

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months and may be extended to a longer credit term of four to six months for customers with long term business relationship and good repayment history. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**245,879**	167,740
4 to 6 months	**24,011**	811
7 to 12 months	**3**	141
1 to 2 years	**–**	2,006
More than 2 years	**6,018**	9,081
	275,911	179,779
Less: Impairment	**(6,018)**	(11,087)
	269,893	168,692

11. BILLS RECEIVABLE

As at the balance sheet date, all bills receivable, based on the issue date, aged within 3 months.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**143,721**	73,406
4 to 6 months	**12,533**	4,156
7 to 12 months	**2,730**	929
More than 1 year	**1,210**	9,388
	160,194	87,879

The trade payables are non-interest-bearing and are normally settled on 30 – 60 day terms.

13. BILLS PAYABLE

An aged analysis of the bills payable as at the balance sheet date, based on the issue date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**–**	36,431
4 to 6 months	**88,158**	–
	88,158	36,431

14. SHARES HELD FOR THE SHARE AWARD PLAN

On 3 March 2008, the directors approved the adoption of a share award plan (the "Share Award Plan") to recognise and reward the contribution of certain employees to the growth and development of the Group through an award of the Company's shares. The Share Award Plan became effective on 3 March 2008 and will remain in force for 10 years from that date.

The Group has appointed a trustee (the "Trustee") for the purposes of administering the Share Award Plan. During the year, the Trustee has purchased a total number of 16,224,000 ordinary shares of the Company at a total cash consideration of approximately HK$2,835,000, including transaction costs. As at 31 December 2008, none of these purchased shares was awarded.

15. POST BALANCE SHEET EVENT

On 3 February 2009, a resolution was passed by the board of directors of the Group's associate to approve the winding-up of the associate. In the opinion of the directors, the winding-up of the Group's associate is unlikely to have a significant impact on the Group's results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYZED BY PRODUCT SEGMENTS

A comparative breakdown of the significant revenue streams into the product segments is set forth in the following table for the period indicated:

	Year Ended December 31			
	2008		2007	
Product Segments	**Revenue** ***HK$million***	**As a percentage of total revenue**	Revenue *HK$million*	As a percentage of total revenue
Smartphone				
CDMA/GSM Dual-mode Smartphone	**624.7**	**62.0%**	1,039.4	81.3%
GSM/GSM Dual-mode Smartphone	**146.1**	**14.5%**	143.1	11.2%
TD-SCDMA/GSM Dual-mode Smartphone	**56.5**	**5.6%**	–	–
CDMA Single-mode Smartphone	**155.8**	**15.5%**	83.3	6.6%
Subtotal	**983.1**	**97.6%**	1,265.8	99.1%
Other Products	**24.0**	**2.4%**	11.9	0.9%
Total	**1,007.1**	**100.0%**	1,277.7	100.0%

In 2008, total consolidated revenue of the Group was HK$1,007.1 million, representing a decrease of 21.2% compared with HK$1,277.7 million in 2007. The decline of revenue was mainly attributable to a considerable decrease in revenue from CDMA/GSM dual-mode smartphone segment.

The Group's revenue from CDMA/GSM dual-mode smartphone business declined considerably by 39.9% from HK$1,039.4 million in 2007 to HK$624.7 million in 2008. During the year, the mainland telecommunications industry has undertaken a restructuring (the "Restructuring"). The decline was mainly attributable to the serious impact of the Restructuring, which made the Group's business on CDMA/GSM high-end dual-mode smartphone shocked absolutely for nearly six months in the process of the transition of the CDMA network operators in 2008.

The Group's revenue from GSM/GSM dual-mode smartphone business slightly increased by 2.1% from HK$143.1 million in 2007 to HK$146.1 million in 2008. The slight increase was because the GSM network operator in Mainland China had not tried to promote its customized handsets during the year under review.

The Group recorded a revenue of HK$56.5 million in the TD-SCDMA/GSM dual-mode smartphone business, representing approximately 5.6% of the Group's total revenue, since the TD-SCDMA trial network commenced to commercialize in ten cities of Mainland China on 1 April 2008. The Group successfully launched two TD-SCDMA/GSM high-end dual-mode smartphone and one TD-SCDMA/CMMB high-end TV-enable smartphone, and approximately 15,000 units were purchased by the network operator during the year. As such the Group became one of the major domestic suppliers for TD-SCDMA handsets in Mainland China.

The Group's revenue from CDMA single-mode smartphone increased from about HK$83.3 million in 2007 to HK$155.8 million in 2008, representing a significant increase of approximately 87.0%, which accounted for 15.5% of the Group's total revenue in 2008. The increase of revenue was because the Group successfully launched two cutting-edge models featuring mid-end handwriting smartphone to China Telecom in October, 2008.

The Group's revenue from other products segment increased from HK$11.9 million in 2007 to HK$24.0 million in 2008, representing a growth of approximately 101.7%. The revenue from the segment was primarily generated from the sales of the accessories of smartphone and related products, which accounted for 2.4% of the Group's total revenue in 2008, up 1.5% as compared with 0.9% in 2007.

Furthermore, the Group's sales revenue contributed by the dual-mode smartphone accounted for approximately 82.1% of its total sales in 2008, or a drop of 10.4% as compared with 92.5% in 2007. It reflected the fact the research and development of the dual-mode smartphone was still the Group's competitive advantages during the year under review, in particular, in the business of CDMA/GSM dual-mode smartphone in the CDMA network, also illustrated the Group had actively enhanced to optimize its products' diversification and structure.

GROSS PROFIT

	Year Ended December 31			
	2008		2007	
Product Segments	**Gross profit** ***HK$million***	**Gross profit margin**	Gross profit *HK$million*	Gross profit margin
Smartphone				
CDMA/GSM Dual-mode Smartphone	**202.6**	**32.4%**	450.2	43.3%
GSM/GSM Dual-mode Smartphone	**37.0**	**25.3%**	48.8	34.1%
TD-SCDMA/GSM Dual-mode Smartphone	**26.0**	**46.0%**	–	–
CDMA Single-mode Smartphone	**81.4**	**52.3%**	20.4	24.5%
Subtotal	**347.0**	**–**	519.4	–
Other Products	**11.1**	**46.3%**	1.9	16.0%
Total	**358.1**	**35.6%**	521.3	40.8%

The gross profit margin of the Group in 2008 dropped from 40.8% in 2007 to 35.6% in 2008, while the Group's gross profit in 2008 was HK$358.1 million, representing a decrease of 31.3% as compared with HK$521.3 million in 2007. The decrease in the Group's gross profit margin was primarily due to the decrease in the gross profit margin of CDMA/GSM dual-mode smartphone and GSM/GSM dual-mode smartphone, which was partially offset by the improved gross profit margin for TD-SCDMA/GSM dual-mode smartphone, CDMA single-mode smartphone and other products.

The Group's gross profit margin of CDMA/GSM dual-mode smartphone dropped from 43.3% in 2007 to 32.4% in 2008. The decrease was mainly attributable to the Group lowered the average sales price to promote the sales volume during the Restructure.

The Group's gross profit margin of GSM/GSM dual-mode smartphone dropped from 34.1% in 2007 to 25.3% in 2008, due primarily to a drop in sales volume and lower selling prices for the Group's GSM/GSM dual-mode smartphone that was introduced to the market during this year.

The Group's gross profit and gross profit margin of TD-SCDMA/GSM dual-mode Smartphone was HK$26.0 million and 46.0% in 2008 respectively, which accounted for 7.3% of the Group's total gross profit in 2008. The result from the segment has broadened the Group's revenue source; also partially offset the decline of the gross profit margin from CDMA/GSM dual-mode smartphone and GSM/GSM dual-mode smartphone.

The Group's gross profit margin of CDMA single-mode smartphone rose to 52.3% in 2008 from 24.5% in 2007 owing to effective cost reductions with the growth of its sales revenue from this segment in 2008. During the year under review, the Group sold more than 100,000 units of CDMA single-mode smartphone, representing an increase of approximately 100% in sales volume as compared with approximately 50,000 units in 2007.

The Group's gross profit margin in other products segment rose to 46.3% in 2008 from 16.0% in 2007, mainly due to a decrease in the material costs of the products' accessories with a relatively higher pricing policy.

OTHER INCOME AND GAINS

Other income and gains of the Group amounted to HK$59.5 million in 2008, representing a decrease of 7.8% as compared with HK$64.5 million in 2007. The decrease was mainly attributable to the decrease in the value-added tax rebate of the software sales.

SELLING AND DISTRIBUTION COSTS

	Year Ended 31 December	
	2008	2007
Selling and distribution costs *(HK$million)*	**200.9**	213.5
Selling and distribution costs/total sales	**19.9%**	16.7%

Selling and distribution costs of the Group amounted to HK$200.9 million in 2008, representing a 5.9% decrease as compared with HK$213.5 million in 2007, although it accounted for 19.9% of the Group's total sales in 2008, up 3.2% as compared with 16.7% in 2007. The increase in selling and distribution costs as a percentage of sales in 2008 was mainly due to the increase in staff costs and brand promotion cost of the Group's selling and marketing personnel.

ADMINISTRATIVE EXPENSES

	Year Ended 31 December	
	2008	2007
Administrative expenses *(HK$million)*	**256.8**	192.5
Administrative expenses/total sales	**25.5%**	15.1%

Administrative expenses of the Group increased by 33.4% from HK$192.5 million in 2007 to HK$256.8 million in 2008, accounting for 25.5% of the Group's total sales in 2008. The increase was mainly attributable to the increase in research and development costs in 2008.

OTHER EXPENSES

The Group recorded other expenses of HK$1.0 million for 2008, up HK$0.3 million as compared with HK$0.7 million in 2007. The increase was primarily attributable to the loss on disposal of items of property, plant and equipment in 2008.

FINANCE COSTS

Finance costs of the Group for 2008 increased by 95.7% as compare with HK$11.6 million of 2007. The increase was due to a significant increase in the Group's amounts in interest-bearing bank borrowings.

TAX

For the year ended 31 December 2008, the Group's income tax expenses amounted to HK$11.8 million (2007: nil). The increase in the current year income tax expenses was mainly attributable to the expiration of the exempted CIT period of Shenzhen Coolpad and the deferred tax charge arising from the fair value gains of the Group's investment properties.

NET PROFIT/LOSS

For the year ended 31 December 2008, the Group recorded a net loss of HK$76.1 million. It was due primarily to (i) the steep drop in sales volume during the period of Restructuring; (ii) the drop in gross profit margin from 40.8% in 2007 to 35.6% in 2008; and (iii) a year-on-year increase in administrative expenses and finance costs of 33.4% and 95.7%, respectively.

GEARING RATIO & THE BASIS OF CALCULATION

The Group's gearing ratio for 2008 was 55%, up 14% points from 41% in 2007, attributable mainly to the increase in interest-bearing loans. The gearing ratio represented net debt divided by the capital plus net debt.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2008, the Group's operating capital was mainly generated from cash from its daily operation and bank borrowings. The Group's cash requirements related primarily to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseeable cash requirements.

Cash and cash equivalents of the Group as of 31 December 2008 amounted to HK$124.9 million, while it was HK$91.2 million as at 31 December 2007.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2008, the following Group's assets were pledged to secure the Group's bank loans, bills payable and for issuance of letters of credit:

(i) the pledge of certain of the Group's buildings and investment properties situated in Mainland China, which had an aggregate carrying value at the balance sheet date of approximately HK$225,290,000 (2007: nil);

(ii) the pledge of the Group's leasehold land which had an aggregate carrying value at the balance sheet date of approximately HK$63,437,000 (2007: HK$12,155,000);

(iii) charges over the Group's rental income over certain investment properties (2007: nil);

(iv) floating charges over the Group's trade receivables totalling HK$269,893,000 (2007: nil);

(v) floating charges over the Group's inventories totalling HK$235,681,000; (2007: nil) and

(vi) the pledge of the Group's bank deposits totalling HK$69,533,000 (2007: HK$29,204,000).

BUSINESS ACTIVITIES

Against the backdrop of the difficult economic environment and the Restructuring in the year under review, the Group still achieved some breakthrough in the field of mobile phone core technologies and its business expansion. Thanks to all its dedicated staff efforts, the Group is able to leverage opportunities presented by the domestic operators' investment realignments as well as the swift growth in the 3G technologies in China's smartphone market. The Group has invested approximately HK$100 million in the research and development on TD-SCDMA (HSDPA)/GSM and CDMA1X2000 (EVDO)/GSM, and CDMA/GSM dual-mode smartphone. As a result, the improving competitive advantages on these technologies enabled the Group to strengthen its scope and depth of cooperation with telecommunications operators in Mainland China, laying solid foundations for its future and long-term development.

The number of sales order received by the Group in 2008 decreased substantially primarily as a result of one of its major business partners discontinued purchasing the CDMA handsets from the Group because of the Restructuring during the second to third quarters of 2008. Fortunately, the Group's operation has been back on track since the completion of the Restructuring in October, 2008, and its monthly sales and shipments reached their record high in December 2008 respectively as the new operator in the CDMA network was endeavoring to enhance the investment and promotion of the CDMA terminals and therefore, placed purchase orders with the Group. Also the Group further broadened its product lines during the year. About fifteen (15) dual-model smartphones were launched in 2008, namely, seven (7) CDMA/GSM dual-mode smartphones, three (3) TD-SCDMA/GSM dual-mode smartphones, three (3) GSM/GSM dual-mode smartphones and two (2) CDMA single-mode smartphones.

As an enterprise which places strong emphasis on the research and development for products and innovations, the Group has cultivated its core competitive edge through the perseverant efforts on internal research and development. The Group evolved to be one of the strongest smartphone developers in Mainland China. It was granted "the State Scientific and Technological Progress Second Award" for its initiative achievement in the technical research on dual-mode smartphone by China's central government in January, 2008.

The Group succeeded in taking the opportunities in the CDMA network expansion projects and the large-scale trial commercialization of TD-SCDMA in 2008. On the CDMA products, the Group increased investments in the research and development of CDMA/GSM dual-mode products and won a large share in the first purchase of China Telecom in October of 2008. On the TD-SCDMA/GSM products, the Group has made significant achievements both on its products and its initial technologies. The Group always keeps coordinate pace with the network operators and the market demands on the product. Particularly, by making prompt response to the network operator's demand in tailor-made products, the Group successfully launched China Mainland's first TD-SCDMA/CMMB smartphone (Coolpad 6168) with TV functionality in August 2008, which was tailor-made for China Mobile as a TV handset for the volunteers and officials of the Beijing Olympic Games. In addition, the Group has long been involved in the research on CDMA2000 and WCDMA standards, hence the Group has a full range of products and solutions for all 3G standards. Also the Group has made substantial investment in the research and development in the smartphone related technology and applications, such as Wireless Internet, GPS, Multimedia, Video, Game, and has made great achievements. The management of the Group strongly believes these achievements have paved a solid way for the Group's future growth.

The Group placed emphasis on cooperation with a number of well-known global technologies expert companies, like Microsoft, Qualcomm, Datang and TI. At present, the Group is one of the biggest developers around the world specializing in operating system based on Windows CE through deep cooperation with Microsoft. The Group also enhanced the cooperation with Qualcomm and Datang to develop application software based on their new developed chipset.

The Group launched a series of marketing and promotion initiatives to improve its Coolpad brand awareness and corporate image, which would further increase its market competitiveness and strengthen its market positioning. The Group has established a sound CDMA products sales channel in Mainland China as well as an after-sale service network in order to capture higher market share and enhance its consumers' satisfaction.

The Group put strong emphasis on sound financial management and general operation efficiency. Especially, the Group has taken great efforts to realign its organizational structure which resulted in a consolidated the research and development center being built in 2008.

BUSINESS OUTLOOK

There are three mobile operators in Mainland China since the completion of the Restructuring in the second half of 2008. And it will be a 3G era since the 3G licenses were issued to them in January 2009. Therefore, looking to the year ahead, there will be more opportunities than challenges presented in the domestic telecommunications market, especially for those manufacturers with strong research and development capabilities. As a leading provider of CDMA handsets, the Group is expected to enjoy healthy growth in the CDMA handsets market after the Restructuring. As the 3G era is approaching, it is also expected that it will increasingly stimulate the market demand of smartphone. The Group, as one of the major high-end smartphone developers, would be benefited from the fast growth of smartphone market following the gradual roll-out of 3G mobile phone service in Mainland China in the coming years. Moreover, it is generally anticipated that 2G and 3G mobile networks will co-exist for a long time, thus the dual-mode smartphone will be blooming in such period.

To leverage on the presented opportunities, the Group in 2009 will continue to carry out the strategies of product differentiation, research and development capabilities enhancement, cooperation with domestic telecom operators strengthening, and product and service quality as well as its administrative efficiency improvement, in order to sustain a rapid business growth in the coming year.

The Group will further consolidate its position in the CDMA network by rolling out innovative and competitive products in 2009. The Group has scheduled to roll out eight CDMA-GSM dual-mode models and four CDMA single-mode smartphones. As a major 3G smartphone developer in Mainland China, the Group plans to develop three TD-SCDMA(HSDPA)/GSM dual-mode models, four GSM/GSM dual-mode models and four CDMA1X2000 (EVDO)/GSM dual-mode models for 3G smartphone. Additionally, the Group is trying to launch a series of wireless data cards and wireless netbook for the surging 3G market. Thus the Group believes its business scope will be further broadened and strengthened in the near future.

According to the Group's product strategy in 2009, it will enhance the mid-end prices concentration in its product portfolio, and it is also trying to penetrate into the entry level handset market. Thus, management expects the Group's gross profit margin may decrease with the drop of its average sales price in 2009. On the other hand, the management believes the Group's strong product portfolio will play an important and core role in China's smartphone market and the income sources expands as a result of the optimization of the product mix.

Innovation is the Group's competitive advantage. The Group will continue to allocate more resources into the innovation of new technologies and competitive products, especially in the 3G dual-mode products and related applications. The Group will further improve its research and development platform and wireless data solutions service. Through standardizing and opening its software development platform, the Group intends to allow more third-party applications to operate on its Coolpad terminals. In order to enhance its core competitiveness, the Group will take new ventures to develop the wireless internet mobile and its wireless data solutions service in 2009.

In order to deepen the customized applications in the 3G products, the Group will conduct joint researches in application software based on new developed chipset with its suppliers, like Qualcomm, Datang, and Microsoft, etc. Also the Group intends to develop an Android smartphone through close collaboration with its developer in 2009. Moreover, the Group will make continuous efforts in reducing costs through design and engineering innovation.

The Group endeavors to expand its sales channel and strengthen its brand recognition. In 2009, it plans to expand its sales network. In brand promotion, the Group will cooperate with the network operators to enlarge the popularity of the Coolpad products and image by erecting more outdoor advertisements for some customized and competitive products in places where the target consumers of the high-end products gather, and increasing the number of image shops in some major municipal cities of China.

The Group will further enhance the cooperation with its business partners to quickly develop customized products and transcendent service to meet different end-users' demand, such as corporate clients and general consumers.

The Group's new manufacturing facility located at Songshan Lake Industrial Park in Dongguan city is currently under construction. By the end of 2009, the Group will relocate its manufacturing lines to the new production base for incremental production, material storage and co-location of some dispersed manufacturing operations. The new base will remarkably enlarge the Group's production scale and allow the Group to effectively control its manufacturing cost.

The Group will continue to embrace the corporate culture of hard working to propel business development. It is committed to maintain outstanding corporate governance, enhancing corporate transparency and facilitating communication with investors and the public.

The management believes there will be a future prospect ahead if the Group could firmly grasp the opportunities in China's telecommunications market.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICY

During the reporting period, the staff cost amounted to HK$253.4 million. The remuneration of the Group's employees was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Company currently comprises 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 annual results for the year ended 31 December 2008.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2.1 of the 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.

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 2008, 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, 7 April 2009

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Guo Deying, Mr. Jiang Chao, Mr. Li Bin and Mr. Li Wang; one non-executive director, namely, Ms. Yang Xiao and four independent non-executive directors, namely, Mr. Chan King Chung, Dr. Huang Dazhan, Mr. Yang Xianzu and Mr. Xie Weixin.