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 2008

- The sales of the "Coolpad" smartphone was about 160,000 units for the six months ended 30 June 2008, as compared with 290,000 in the corresponding period of last year.
- For the six months ended 30 June 2008, the Group's un-audited consolidated revenue amounted to HK$441.3 million, representing a decrease of 41.5% as compared with HK$753.8 million in the corresponding period in 2007.
- The Group's gross profit margin expanded to 42.2% in the reporting period from 36.1% in the corresponding period last year. This was attributable to the Group's long term commitment in research and development ("R&D"), to lower its production cost and its differentiated market strategy in the high-end smartphone.
- The Group recorded a loss of approximately HK$49.3 million during the reporting period, while it achieved net profit of HK$124.6 million in the corresponding period in 2007.
- Basic loss per share was approximately HK$2.43 cents in the six months ended 30 June 2008, while basic earning per share was approximately HK$6.23 cents in the corresponding period of last year.
- The Board of the Directors do not recommend any payment of interim dividend for the six months ended 30 June 2008.

CONSOLIDATED INCOME STATEMENT

The Board is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period of 2007. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company ("Audit Committee").

		The six months ended 30 June	
		2008	2007
		HK$'000	*HK$'000*
	Notes	***(Unaudited)***	*(Unaudited)*
REVENUE	4	**441,315**	753,764
Cost of sales		**(255,015)**	(481,631)
Gross profit		**186,300**	272,133
Other income and gains	4	**22,803**	8,109
Selling and distribution costs		**(118,684)**	(65,877)
Administrative expenses		**(130,273)**	(84,775)
Other expenses		**(428)**	(303)
Finance costs	6	**(8,535)**	(4,649)
Share of loss of an associate		**(442)**	—
PROFIT/(LOSS) BEFORE TAX	5	**(49,259)**	124,638
Tax	7	**—**	—
PROFIT/(LOSS) FOR THE YEAR		**(49,259)**	124,638
DIVIDENDS	8	**—**	10,084
Proposed Interim dividend		**—**	10,084
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	9		
Basic (2007 restated)		**(2.43) cents**	6.23 cents
Diluted (2007 restated)		**(2.38) cents**	5.99 cents

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 HK$'000 (Unaudited)	31 December 2007 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**393,268**	345,680
Investment properties		**30,766**	28,917
Prepaid land lease payments		**57,941**	12,155
Intangible assets		**55,302**	36,665
Interest in an associate		**8,675**	8,583
Total non-current assets		**545,952**	432,000
CURRENT ASSETS			
Inventories		**288,547**	288,686
Trade receivables		**90,894**	168,692
Bills receivables		**23,134**	40,080
Prepayments, deposits and other receivables		**206,312**	194,131
Due from directors		**70**	134
Pledged time deposits		**50,300**	29,204
Cash and cash equivalents		**105,598**	91,222
Total current assets		**764,855**	812,149
CURRENT LIABILITIES			
Trade payables		**63,360**	87,879
Bills payable		**79,197**	36,431
Other payables and accruals		**93,490**	157,355
Interest-bearing bank and other borrowings		**305,812**	187,601
Due to a related company		**—**	—
Due to directors		**—**	—
Due to an associate		**7,065**	7,386
Tax payable		**15,215**	15,064
Total current liabilities		**564,139**	491,716
NET CURRENT ASSETS		**200,716**	320,433
TOTAL ASSETS LESS CURRENT LIABILITIES		**746,668**	752,433
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**68,228**	79,091
Deferred tax liabilities		**12,759**	11,992
Total non-current liabilities		**80,987**	91,083
Net assets		**665,681**	661,350

	Notes	**30 June 2008** **HK$'000** **(Unaudited)**	31 December 2007 *HK$'000* *(Audited)*
EQUITY			
Equity attributable to equity holders of the parent company			
Issued capital		**20,400**	20,230
Reserves		**645,281**	641,120
Proposed final dividend		**—**	—
Proposed interim dividend	8	**—**	—
Total equity		**665,681**	661,350

NOTES TO FINANCIAL STATEMENT

1. CORPORATE INFORMATION

China Wireless Technologies Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111, Cayman Islands.

During the reporting period, the Group was involved in providing wireless system solutions and smartphones for the wireless telecommunication market in Mainland China.

In the Directors' opinion, the parent company and the ultimate holding company of the Group is Data Dreamland Holding Limited ("Data Dreamland"), which was incorporated in the British Virgin Islands (the "BVI").

2.1 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 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, giving 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.

HK(IFRIC)-Int 11	HKFRS2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HK(IFRIC)-Int 11 HKFRS2 — Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

(b) HK(IFRIC)-Int 12 Service Concession Arrangements

This interpretation requires an operator under public-to-private service concession arrangements to recognize the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

(c) HK(IFRIC)-Int 14 HKAS19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

This interpretation addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognized as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no defined benefit scheme, this interpretation is not applicable to the Group, and therefore is unlikely to have any financial impact on the Group.

2.3 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 (Revised)	Presentation of Financial Statements[1]
HKAS 1 and HKAS 32 (Amendments)	Financial Instruments: Presentation Puttable Financial Instruments and Obligations arising on Liquidation[1]
HKFRS 2 (Amendments)	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combination[3]
HKFRS 8	Operating Segments[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 July 2009

HKAS 1 (Revised) sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content application. It affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 1 and HKAS 32 (Amendments) have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The standards are unlikely to have any financial impact on the Group.

HKFRS2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operation segments, based on information about the components of the entity that is available for the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 23 has been revised to require capitalization of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

3. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing a particular type of products or services (a business segment), or in providing products or services within a particular economic environment (a geographical segment). Each segment is subject to risks and rewards that are different from those of the other segments. During the period under review, over 90% of the Group's revenue and contribution to the operating profit were derived from the production and sale of wireless terminals. Therefore, no business segment analysis has been presented. Also, over 90% of the Group's revenue was derived from customers in the PRC and over 90% of the Group's assets are located in the PRC. Therefore, no geographical segment analysis has been presented.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods during the six months ended 30 June 2008, 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 and other revenue is as follows:

	The six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	*Unaudited*
Revenue		
Sale of wireless system solutions and smartphones	**441,315**	753,764
Other income		
Rental income	**1,401**	—
Bank interest income	**903**	795
Government grants and subsidies*	**14,107**	7,309
Accessory income	**5,516**	—
Sundry income	**876**	5
	22,803	8,109
	464,118	761,873

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

5. PROFIT BEFORE TAX

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

	The six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	*Unaudited*
Cost of inventories sold	**255,015**	481,631
Depreciation	**3,326**	3,176
Amortisation of patents and licences*	**7,950**	4,265
Recognition of prepaid land lease payments	**154**	141
Research and development costs		
Product development costs amortised*	**3,134**	1,497
Current year expenditure	**34,726**	46,032
	37,860	47,529
Operating lease rental	**2,473**	697
Loss on disposal of items of property, plant and equipment	**297**	1
Staff costs (including directors' and senior executives' emoluments):		
Salaries and wages	**89,847**	44,996
Staff welfare expenses	**3,366**	1,642
Pension scheme contributions	**10,450**	2,419
Equity-settled share option expense	**7,353**	2,607
Total staff costs	**111,016**	51,664
Rental income	**(1,401)**	—
Bank interest income	**(903)**	(795)

* The amortization of patents and licenses and product development costs for the six months was included in "Administrative expenses" on the face of the consolidated income statement.

6. FINANCE COSTS

	The six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	*Unaudited*
Interest expense on:		
Bank loans repayable in full within one year	**5,476**	4,649
Bank loans repayable in full within four year	**4,235**	—
Bill payable	**3,059**	—
Less: Interest capitalised	**(4,235)**	—
	8,535	4,649

7. TAX

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 reporting period. 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	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	*Unaudited*
Current year provision:		
Hong Kong	**—**	—
Mainland China	**—**	—
Total tax charge for the year	**—**	—

	The six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	Unaudited	*Unaudited*
Profit before tax	**(49,259)**	124,638
Tax at the applicable tax rate (2008: 18%, 2007: 15%)	**(8,867)**	18,696
Expense not deductible for tax	**2,816**	—
Income not subject to tax	**—**	—
Tax exemption/relief	**(2,901)**	(29,333)
Tax losses not recognised	**8,952**	10,637
Tax charge at the Group's effective rate (June 2007: Nil)	**—**	—

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises and as approved by relevant tax authorities, Yulong Computer Telecommunications Scientific (Shenzhen) Co., Ltd. ("Shenzhen Yulong"), 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 18% was applied for the six months ended 30 June 2008. No provision for taxation has been made as Shenzhen Yulong suffered a loss for the year.

Coolpad Software Tech. (Shenzhen) Co., Ltd. ("Shenzhen Coolpad") was set up on 7 March 2006 and commenced operations in September 2006. It 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 Shenzhen Coolpad commenced in 2006, an income tax rate of 9% was applied for the six months ended 30 June 2008.

Dongguan Yulong Telecommunications Scientific Co., Ltd. ("Dongguan Yulong") was set up on 3 November 2006. There was no revenue for the six months ended 30 June 2008. No provision for taxation has been made.

Xi'an Coolpad Software Tech Co., Ltd. ("Xi'an Coolpad Software") was set up on 2 November 2007. There was no revenue for the six months ended 30 June 2008. No provision for taxation has been made as Xi'an Coolpad software.

8. DIVIDENDS

The Board of the Directors do not recommend any payment of interim dividend for the six months ended 30 June 2008.

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

The calculation of basic loss per share is based on the net loss for the six months ended 30 June 2008 attributable to ordinary equity holders of the parent Company of HK$49,259,000 and the weighted average number of ordinary shares in issue during the six months ended 30 June 2008 of 2,025,951,669.

The calculation of diluted loss per share is based on the net loss for the six months ended 30 June 2008 attributable to ordinary equity holders of the parent company of HK$49,259,000. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period of 2,025,951,669, as used in the basic loss per share calculation and the weighted average number of ordinary shares of 40,014,338 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/(loss) per share are based on:

	The six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Earnings/(loss)		
Net profit/(loss) attributable to ordinary equity holders of the parent company, used in the basic earnings/(loss) per share calculation:	**(49,259)**	124,638
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,025,951,669**	2,000,815,735 (Restated)
Effect of dilution — Weighted average number of ordinary shares:		
Share options	**40,014,338**	80,767,783 (Restated)
	2,065,966,007	2,081,583,518

Because of the bonus shares issued to shareholders in October 2007, the comparative figure of per share calculation in June 2007 is restated.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

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:

Product Segments	**The six months ended 30 June 2008**		The six months ended 30 June 2007	
	Revenue HK$'000	***Percentage of Total Revenue***	*Revenue HK$'000*	*Percentage of Total Revenue*
Smartphone				
CDMA/GSM Dual-mode Smartphone	**327,403**	**74.2%**	586,668	77.9%
GSM/GSM Dual-mode Smartphone	**85,138**	**19.3%**	93,633	12.4%
TD-SCDMA/GSM Dual-mode Smartphone	**15,375**	**3.5%**	—	—
CDMA Single-mode Smartphone	**8,160**	**1.8%**	69,597	9.2%
Subtotal	**436,076**	**98.8%**	749,898	99.5%
Other Products	**5,239**	**1.2%**	3,866	0.5%
Total	**441,315**	**100.0%**	753,764	100.0%

In terms of the revenue mix, during the period under review, revenue from dual-mode smartphone accounted for 97% of the Group's total revenue, as compared with approximately 90% for the corresponding period in 2007. The reason for such increase was that the Group has mainly focused on researching and developing the medium and high-end dual-mode smartphone during the period under review. The Group also retained strong competitive advantages in the CDMA network, and during the period under review, the revenue from CDMA/GSM dual-mode smartphone accounted for 74.2% of the total revenue. The revenue from CDMA/GSM dual-mode smartphone decreased to approximately HK$327.4 million, representing a decrease of 44.2%, as compared with HK$586.7 million in the corresponding period of last year. The reason for the decrease is that the CDMA network operator had reduced the terminal's purchase from the Group since the restructuring of Mainland China telecommunication (the "Restructuring") took place in the first half year of 2008. The revenue generated from GSM/GSM dual-mode smartphone segment had a nearly 6.9% growth, from 12.4% in six months ended 30 June 2007 to 19.3% in the period under review, despite the fact that the total revenue had decreased to HK$85.1 million, representing a decrease of 9.1% as compared with HK$93.6 million in the corresponding period of last year. The Group is still in the process of building up co-operation relations with other GSM network operators in order to establish its "Coolpad" brand recognition in this network, since its GSM-GSM dual-mode smartphone just began to be available to GSM network last year.

More importantly, the Group has launched its 3G business in the period under review. The Group is one of the first terminal providers to have the collective purchase from China Mobile Limited this year. The Group has successfully sold nearly 4,000 units of TD-SCDMA/GSM dual-mode smartphone, and recorded a revenue of about HK$15.4 million since the commencement of TD-SCDMA network trial commercialization in 10 cities of China on 1

April, 2008. The revenue from TD-SCDMA/GSM dual-mode smartphone accounted for 3.5% of the total revenue recorded during the period under review. The Group will continue to develop its TD-SCDMA/GSM smartphone business in the future as it is expected that the TD commercialization will promote largely in the Mainland China by its operator.

As at 30 June 2008, the revenue from CDMA single mode smartphone decreased to about HK$8.2 million representing about 1.8% total revenue from about HK$69.6 million in the corresponding period of 2007. The significant decrease was because of the shift of the Group's business strategy to the dual-mode high-end smartphone market and the effect of the Restructuring.

The revenue from other products segment increased to approximately HK$5.2 million, representing a growth of 35.5%, as compared with HK$3.8 million of the same period of last year. It was due to the increase in the demand of the wireless system solution's service.

Gross Profit

Product Segments	**The six months ended 30th June 2008**		The six months ended 30th June 2007	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
Smartphone				
CDMA/GSM Dual-mode Smartphone	**143,982**	**44.0%**	217,041	37.0%
GSM/GSM Dual-mode Smartphone	**30,280**	**35.6%**	36,397	38.9%
TD-SCDMA/GSM Dual-mode Smartphone	**7,717**	**50.2%**	—	—
CDMA Single-mode Smartphone	**2,295**	**28.1%**	17,140	24.6%
Subtotal	**184,274**	**—**	270,578	—
Other Products	**2,026**	**38.7%**	1,555	40.2%
Total	**186,300**	**42.2%**	272,133	36.1%

The Group's gross profit decreased by 31.5% to HK$186.3 million for the six months ended 30 June 2008, as compared with HK$272.1 million in the corresponding period of previous year. However, the gross profit margin increased to 42.2%, representing a growth of 6.1%, compared with to 36.1% in the first half of 2007. The gross profit margin remained high level, because the Group has implemented a series of differential competitive strategies ranging from brand orientation to mode of service and market exploitation, and has effectively lowered its production cost during these years.

Selling and Distribution Costs

Selling and marketing expenses increased by 80.2% from HK$65.9 million for the six months ended 30 June 2007 to HK$118.7 million in the first half of 2008. Meanwhile, the ratio for selling and distribution costs to sales increased significantly from 8.7% for the six months ended 30 June 2007 to 26.9% for the corresponding period in 2008. The significant increase of selling and distribution costs is primarily attributable to the Group's efforts on the establishment of the multi-distribution channels and the promotion of the "Coolpad" brand.

Administrative Expenses

Administrative expenses increased by 53.7% from HK$84.8 million representing 11.2% of total sales for the six months ended 30 June 2007 to HK$130.3 million representing 29.5% of total sales of the corresponding period in 2008. The Group's decrease in the size of its operation and the increase in the expenses of R&D led to the increase of the administrative expenses, as well as the ratio of administrative expenses to total sales.

Income Tax Expenses

For the six months ended 30 June 2008, the Group's profit tax payable by the Group is nil as the Group recorded no profit in the same period. In addition, according to the Enterprise Income Tax Law of the People's Republic of China which took effect from 1 January 2008, the income tax rate applicable to the Group this year was increased to 18% from 15% in 2007.

Net Profit/Loss

For the six months ended 30 June 2008, the Group recorded a net loss of HK$49.3 million. The loss was due to the huge decrease of sales and the increasing expenses for the expansion of our business.

Liquidity and Financial Resources

For the six months ended 30 June 2008, the Group's operating capital was mainly generated from cash from its daily operation and bank borrowings.

As at 30 June 2008, the Group had cash and bank balances of HK$155.9 million while it was HK$120.4 million as at 31 December 2007.

As at 30 June 2008, the Group's total assets amounted to HK$1,310.8 million, compared with HK$1,244.1 million as at 31 December 2007, whereas the Group's total liabilities was HK$645.1 million as compared with HK$582.8 million at 31 December 2007.

As at 30 June 2008, the Group had a gearing ratio of 49.2% (total debt over total assets) compared with 46.8% as at 31 December 2007, and a current ratio of 1.4 (current assets over current liabilities) compared with 1.7 as at 31 December 2007.

Contingent Liabilities

As at 30 June 2008, the Group did not have any significant contingent liabilities.

Pledge of Assets

As at 30 June 2008, a total amount of approximately HK$50,300,000 of the Group's bank deposits was pledged to secure general bank borrowings as compared with HK$29,204,000 as at 31 December 2007.

BUSINESS ACTIVITIES

As one of the leading wireless data solution providers and smartphone developers in the PRC, the Group researches, develops, and markets innovative products and provides customized solutions to meet the demands of various clients from various industries.

In the first half year of 2008, the Group proactively carried out various measures to consolidate its business and corporate structure, formulate precise business positioning and product strategies, as well as enhances our product R&D and technology level.

With the Group's further investment and exploitation in the fields of dual-mode handsets as well as smart phone technologies, it has established complete product lines series of dual-mode phones and has built 3 independent smartphone operating system platforms, which are based on Windows CE, Brew, and Linux respectively. During the reporting period, the Group has successfully developed 5 new models in our 3 series of smartphone which are operated by our own operating system, including one CDMA/GSM model with Brew O/S (Coolpad2938), two GSM/GSM model with Windows CE O/S (Coolpad8688 and Coolpad8360) and two TD-SCDMA/GSM models with Windows CE O/S (Coolpad6260 and Coolpad6268). Apart from these multi-mode models based on 2.5G networks (CDMA network and GSM network), during the reporting period, the Group has also developed two TD-SCDMA/GSM dual-mode smartphone, where TD-SCDMA is China's own 3G standard. The Group has developed 3G software frame based on technologies developed independently by itself which the Group owns intellectual property rights.

In the first half year of 2008, a big event of telecommunication restructuring took place in the Mainland China. As a result of the Restructuring, the Group's business in the CDMA network market has been seriously affected in the first half year of this year. The sales of CDMA products declined vastly to only about 125,000 units in the CDMA network, representing a decrease of 48.8%, when comparing with 244,000 units in the corresponding period of 2007. However, our gross profit margin still remained stable at about 44%. In addition, the GSM/GSM devices has not achieved a good result because the Group was still in process of building up brand image and cooperation relationships with GSM network operators since last year.

The "Coolpad" brand awareness continued to improve in China during the reporting period. The Group has initiated a broad range of promotion activities through the CCTV channels in the first quarter of this year, which is aimed to improve the Group's image and its brand recognition.

Product and services are the final competitive strength of the Group. Quality and experience enjoyed by the consumers is of most importance to an enterprise. The Group expanded its customer service team substantially in the period under review and it committed to offer full service for coolpad users. The Group has first established the 3G video service in China, and then strove to develop its creative service mode — "Coolpad terminal + Coolpadtone mobile data platform", which provides games downloading, data resolving, GPS and other value-added data services to its end-users. Following its efforts in the previous year to optimize the operation platform, the Group was endeavoring to conduct the business process reengineering, in order to improve the efficiency of administration. All these measures paved a solid ground for the Group's long-term development.

All in all, the Restructuring in the period under review has adversely impacted the performance of the Group in the first half year. However, during the year, the Group has made some breakthroughs in the development and application of new technologies at the same time, including the new application platform for the internet wireless mobile, the Brew platform, CMMB, PTT (Push-to-Talk), etc. The Group had established a solid R&D platform; and therefore it is well positioned to launch new products to meet market demand.

Business Outlook

There will be three mobile network operators in the Mainland China after China Telecommunication Corporation ("China Telecom") takes over the CDMA network business from China United Communication Corporation ("China Unicom") pursuant to the Restructuring. The management of the Group (the "Management") believes the CDMA handset market will grow rapidly after the Restructuring, as it is expected that the network operators will put much more resources into expand this market than before. As a result, the demand of CDMA terminals will increase significantly in the next 3 years, as forecasted by SINO Market Research Ltd.. As the leading CDMA handset provider in China, the Management expects to receive a good market share in future. In addition, the demand of smartphone is increasing in the Mainland in recent years. The Group as a high-end smartphone manufacturer is trying to seize the opportunity to expand its business. Particularly, the Group's market share in TD/GSM dual-mode smartphone is expected to have a significant growth with the expansion of the trial commercialization of TD-SCDMA in Mainland China in the second half year of 2008. Therefore, the Management believes our performance will continue to improve in the future.

The Group will further strengthen its focus on providing high-end dual-mode smartphone in Mainland China in the second half year of 2008. The Group plans to consolidate its position in the CDMA network, and start to roll out innovative and competitive products of TD/GSM dual-mode smartphone in the ten TD-SCDMA network cities in the future.

In the second half year of 2008, the Group will launched seven models product with strong functions and special features targeting various customers and telecom operators to provide them wireless data solutions. These new smartphone models will include two models for each of CDMA/GSM dual-mode smarthone, two models of GSM/GSM dual-mode smartphone and two models of TD/GSM dual-mode smartphone (including one TD/CMMB smartphone) as well as one CDMA single-mode smartphone.

The Group will continue its muti-channel operations, and try to optimize the sales channels. Being a partner of telecom operators, the Group will seek geographical expansion by working hand-in-hand with the telecom operators to explore new markets. The Group, with its strong CDMA expertise, plans to to further enlarge its market share as the demand for CDMA handsets are expected to be surged after the Restructuring. At the same time, the Group will also try to consolidate the strategic relationships with GSM network operators through providing them with customized products that contain unique value-added service. Besides, the Group will continue to seek for qualified distributors and agents with strong customer basis to enhance our distribution capability. The group will continue to exploit the overseas market and promote our own brand.

The Group will enhance the cooperation with our business partner, such as Microsoft Corporation, Qualcomm Inc, TI, Datang, etc. Moreover, The Group's present strategy primarily focused on reorganization and streamlining the key products in order to gain market share and to establish a solid foundation for future growth. The Group will continue to invest in CDMA and 3G technologies; to strengthen its R&D and project management resources for further improvement of its capability to address the operator-driven markets particularly the R&D on the smartphone functions of GPS, TV and other 3G technologies. Besides, the Group will continue to develop new models of internet wireless smartphone and other relative applications. With the aim to broaden the source of revenue, the Group will develop Coolpadtone data service and other wireless data solutions for both enterprises and individuals. At the same time, the Group will continue to focus on its product development of multimedia handsets.

The Group will continue to emphasis in the human resource deployment as before. The Group endeavor to enhance the cost control and ordinary operation management, so as to lower the selling and administrative costs effectively.

All in all, spearheaded by a high-caliber management team together with strict internal control policy and effective administration process, the Group has confidence in achieving all the abovementioned goals and rewarding its shareholders with better results in the second half year 2008 and the years ahead.

FOREIGN EXCHANGE EXPOSURE

During the reporting period, the Group's expenses, assets and liabilities were mainly denominated in Renminbi (RMB). Taking into account 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$111.0 million. The remuneration of the Group's employees is commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis. The Group also provides on-job training to our employees from time to time.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 30 June 2008.

MATERIAL ACQUISITION AND DISPOSALS DURING THE YEAR

There were no material acquisitions by and disposals of Company, its subsidiaries and associated companies during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period under review.

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 had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprising the four independent non-executive Directors, namely Mr. Chan King Chung (the Chairman), Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Yang Xianzu, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Group's unaudited financial statements for the six months ended 30 June 2008 have been reviewed by the members of the Audit Committee, who are of the opinion that such statements comply with applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made therein.

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 (the "Code") stipulates that the roles of chairman and chief executive officer should be separated 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 thus implement decisions 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 six months ended 30 June 2008, in compliance with the Code.

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

Hong Kong, 27 August 2008

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.