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 2011

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2011	2010	
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	**Change**
Revenue	**3,027,298**	2,102,569	+44.0%
Profit before tax	**129,925**	288,082	-54.9%
Tax	**10,822**	15,728	-31.2%
Net profit attributable to owners of the Company	**118,981**	272,354	-56.3%
Basic earnings per share	**5.33 cents**	13.08 cents	-59.3%
Diluted earnings per share	**5.20 cents**	12.65 cents	-58.9%
Proposed interim dividend per ordinary share	**1.0 cents**	1.0 cents	–

The board (the "Board") of directors (the "Directors") of China Wireless Technologies Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 together with comparative figures for the corresponding period of 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

	Notes	The six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
REVENUE	4	**3,027,298**	2,102,569
Cost of sales		**(2,519,531)**	(1,481,821)
Gross profit		**507,767**	620,748
Other income and gains	4	**65,523**	41,464
Selling and distribution costs		**(190,530)**	(147,957)
Administrative expenses		**(230,109)**	(219,485)
Other expenses		**(7,536)**	(2,683)
Finance costs	6	**(15,169)**	(3,995)
Share of losses of associates		**(21)**	(10)
PROFIT BEFORE TAX	5	**129,925**	288,082
Tax	7	**(10,822)**	(15,728)
PROFIT FOR THE PERIOD		**119,103**	272,354
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of buildings, net of tax		**143**	8,149
Exchange differences on translation of foreign operations		**30,310**	9,417
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**30,453**	17,566
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**149,556**	289,920
Profit for the period attributable to:			
Owners of the Company		**118,981**	272,354
Non-controlling interests		**122**	–
		119,103	272,354
Total comprehensive income for the period attributable to:			
Owners of the Company		**149,434**	289,920
Non-controlling interests		**122**	–
		149,556	289,920
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		**5.33 cents**	13.08 cents
Diluted		**5.20 cents**	12.65 cents

Condensed Consolidated Statement of Financial Position
As at 30 June 2011

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**451,160**	417,237
Investment properties	**311,532**	304,456
Prepaid land lease payments	**68,108**	67,321
Intangible assets	**102,874**	94,294
Interest in associates	**12,806**	196
Available-for-sale investments	**10,822**	–
Other non-current assets	**48,255**	46,607
Deferred tax assets	**23,659**	21,439
Total non-current assets	**1,029,216**	951,550
CURRENT ASSETS		
Inventories	**684,946**	835,178
Trade receivables	**557,431**	222,013
Bills receivable	**899,835**	697,238
Prepayments, deposits and other receivables	**369,712**	176,382
Due from directors	**396**	580
Pledged time deposits	**1,267,240**	728,123
Cash and cash equivalents	**1,043,934**	641,895
Total current assets	**4,823,494**	3,301,409
CURRENT LIABILITIES		
Trade payables	**554,497**	566,553
Bills payable	**1,175,130**	689,447
Other payables and accruals	**659,311**	725,755
Derivative financial instrument	**16,837**	10,696
Interest-bearing bank and other borrowings	**1,233,724**	606,541
Due to an associate	**412**	–
Tax payable	**10,086**	53,157
Total current liabilities	**3,649,997**	2,652,149

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NET CURRENT ASSETS	**1,173,497**	649,260
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,202,713**	1,600,810
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**127,465**	132,640
Deferred tax liabilities	**44,645**	42,625
Long term rental deposits	**7,480**	5,053
Total non-current liabilities	**179,590**	180,318
Net assets	**2,023,123**	1,420,492
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**22,115**	21,024
Shares held for the Share Award Plan	**(321)**	(321)
Reserves	**1,997,323**	1,283,187
Proposed final dividends	**–**	112,717
	2,019,117	1,416,607
Non-controlling interests	**4,006**	3,885
Total equity	**2,023,123**	1,420,492

Notes:

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 KY1-1111, the Cayman Islands.

The Group is a wireless solution and equipment provider in Mainland China. During the period, the Group continued to focus on the research and development, production and sales of smartphone.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Data Dreamland Holding Limited, which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These unaudited condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and other relevant standards and interpretations and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except for the first time adoption of the following new standards and interpretations:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial statements and there have been no significant changes to the accounting polices applied in these unaudited condensed consolidated financial statements.

2.3 Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Incomes[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's result of operations and financial position.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments 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.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, share of losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged time deposits, cash and cash equivalents, deferred tax assets, investments in associates and available-for-sale investments as these assets are managed on a group basis.

	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
The six months ended 30 June 2011 (Unaudited)			
Segment revenue:			
Sales to external customers	3,027,298	–	3,027,298
Other revenue	–	11,617	11,617
Total	3,027,298	11,617	3,038,915
Segment results	122,268	10,952	133,220
Reconciliations:			
Interest income			19,431
Corporate and other unallocated expenses			(7,536)
Finance costs			(15,169)
Share of loss of associates			(21)
Profit before tax			129,925
The six months ended 30 June 2010 (Unaudited)			
Segment revenue:			
Sales to external customers	2,102,569	–	2,102,569
Other revenue	–	11,617	11,617
Total	2,102,569	11,617	2,114,186
Segment results	281,860	10,948	292,808
Reconciliations:			
Interest income			1,962
Corporate and other unallocated expenses			(2,683)
Finance costs			(3,995)
Share of loss of an associate			(10)
Profit before tax			288,082
Segment assets			
At 30 June 2011 (Unaudited)	**3,173,986**	**320,263**	**3,494,249**
At 31 December 2010 (Audited)	2,545,333	315,973	2,861,306

4. **REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold during the six months ended 30 June 2011, after allowances for returns and trade discounts and net of sales tax and value-added tax (the "VAT"). An analysis of revenue, other income and gains is as follows:

	The six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of mobile phones	**3,027,298**	2,102,569
Other income		
Rental income	**11,617**	11,617
Bank interest income	**19,431**	1,962
Government grants and subsidies*	**9,479**	17,385
Income from licensing software patents	**20,220**	–
Others	**4,776**	10,500
	65,523	41,464
	3,092,821	2,144,033

* Government grants and subsidies represented refunds of VAT paid from a tax bureau and government grants received from different government department to support certain of the Group's research and development activities.

5. **PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging:

	The six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,517,735**	1,453,827
Depreciation	**14,043**	9,157
Amortisation of patents and licences*	**4,917**	4,493
Recognition of prepaid land lease payments	**769**	687
Research and development costs		
Product development costs amortised*	**10,482**	17,877
Current period expenditure	**101,081**	92,368
	111,563	110,245
Operating lease rental	**6,045**	3,701
Loss on disposal of items of property, plant and equipment	**653**	302
Impairment of trade receivables	**338**	–
Provision for inventories	**1,796**	27.994

* The amortisation of patents and licences and product development costs for the period are included in "Administrative expenses" on the face of the condensed consolidated statement of comprehensive income.

6. FINANCE COSTS

	The six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank loans	**15,169**	8,871
Less: Interest capitalised	**–**	(4,876)
	15,169	3,995

7. TAX

Taxes on assessable profits 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	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group:		
Current	**11,175**	15,465
Deferred	**(353)**	263
Total tax charge for the period	**10,822**	15,728

8. DIVIDENDS

On 15 August 2011, the Directors resolved to declare interim dividend of HK$0.01 per share in respect of the six months ended 30 June 2011 to shareholders whose name appear on the register of member of the Company by close of business on 23 September 2011 (six months ended 30 June 2010: HK$0.01). The interim dividend will be distributed on or about 29 September 2011, the register of members of the Company will be closed from 21 September 2011 to 23 September 2011 inclusive, during which no transfer of shares will be affected. In order to qualify for the interim dividends, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 pm on 20 September 2011.

As the interim dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 30 June 2011.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the net profit for the six months ended 30 June 2011 attributable to owners of the Company of HK$118,981,000 (six months ended 30 June 2010: HK$272,354,000), and the weighted average number of ordinary shares in issue of 2,232,369,127 during the six months ended 30 June 2011 (six months ended 30 June 2010: 2,082,263,249).

The calculation of diluted earnings per share is based on the net profit for the six months ended 30 June 2011 attributable to owners of the Company of HK$118,981,000. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 56,242,348 assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	The six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Net profit attributable to owners of the Company used in the basic earnings per share calculation:	**118,981**	272,354

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,232,369,127**	2,082,263,249
Effect of dilution-weighted average number of ordinary shares:		
Share options	**56,242,348**	70,918,643
	2,288,611,475	2,153,181,892

MANAGEMENT DISCUSSION & ANALYSIS

Revenue Analyzed by Product Types

A comparative breakdown of the consolidated revenue by product type is set forth in the following tables for the periods indicated:

	Six months ended 30 June			
	2011		2010	
Revenues	**Revenue** ***HK$ million*** **(Unaudited)**	**% of total revenue**	Revenue *HK$ million* (Unaudited)	% of total Revenue
3G Coolpad smartphone	**2,962.4**	**97.9%**	1,799.9	85.6%
2G Coolpad smartphone	**52.5**	**1.7%**	285.9	13.6%
Other products	**12.4**	**0.4%**	16.8	0.8%
Total	**3,027.3**	**100%**	2,102.6	100%

	Six months ended 30 June		
	2011	2010	Change
Number of Coolpad smartphone sold *(units)*	**4,600,000**	2,000,000	130.0%
Average Selling Price ("ASP") *(HK$)*	**655**	1,040	-37.0%

The Group's unaudited revenue for the six months ended 30 June 2011 amounted to HK$3,027.3 million, representing a remarkable growth of 44.0% as compared with HK$2,102.6 million for the six months ended 30 June 2010. The significant increase in revenue during the reporting period was driven by the strong increase in the sales volume of 3G Coolpad smartphone, as a result of the continuously vibrant development of 3G mobile subscribers in Mainland China during the first half of 2011.

The revenue from 3G Coolpad smartphone increased by 64.6% to HK$2,962.4 million for the six months ended 30 June 2011 as compared with HK$1,799.9 million for the corresponding period in 2010. The sale volume of 3G Coolpad smartphone increased by approximately 3,013,000 units to 4,433,000 units in the first half of 2011, as compared with 1,420,000 units in the corresponding period of 2010. Revenue contribution from this segment surged from 85.6% in the first half of 2010 to 97.9% in the first half of 2011. The significant increase in sale volume of 3G Coolpad smartphone was primarily attributable to the successful introduction of some 3G smartphone models to the domestic vibrant 3G mobile market during the reporting period. So far, the Group's 3G product lines have covered all range of 3G networks, including TD-SCDMA, CDMA1X(EVDO) as well as WCDMA network. Therefore, the sales of 3G Coolpad smartphone have already become the Group's main revenue stream.

The revenue from 2G Coolpad smartphone decreased to HK$52.5 million for the six months ended 30 June 2011 from HK$285.9 million for the corresponding period in 2010. As the decrease in the sales volume of 2G Coolpad smartphone from 560,000 units in the first half of 2010 to 163,000 units in the first half of 2011, and the dramatic decline in the ASP of 2G Coolpad smartphone in the reporting period, revenue contribution from this segment dropped from 13.6% in the first half of 2010 to 1.7% in the first half of 2011, because the Group ceased to develop new 2G smartphone models and transferred all the R&D resources to 3G smartphone during the current period.

The revenue from other products was primarily generated from the sales of Coolpad smartphone's accessories. The revenue from other products decreased by HK$4.4 million, or 26.2%, to HK$12.4 million for the six months ended 30 June 2011 as compared with HK$16.8 million for the corresponding period in 2010. The decrease in the revenue from other products during the reporting period was mainly attributable to the decline in the sales of Coolpad smartphone's accessories.

The Group's overall ASP decreased to HK$655 in the first half of 2011 from HK$1,040 for the corresponding period in 2010. The decline of the overall ASP resulted primarily from a change in the Group's product mix since the Group entered the field of mid and low-end highly competitive mobile phone market during the reporting period.

GROSS PROFIT

	Six months ended 30 June			
	2011		2010	
Gross Profit	**Gross profit** *HK$ million* **(Unaudited)**	**Gross profit margin**	Gross profit *HK$ million* (Unaudited)	Gross profit margin
3G Coolpad smartphone	**507.8**	**17.1%**	552.2	30.7%
2G Coolpad smartphone	**(3.9)**	**(7.4%)**	61.7	21.6%
Other products	**3.9**	**31.5%**	6.8	40.5%
Total	**507.8**	**16.8%**	620.7	29.5%

The Group's overall gross profit for the six months ended 30 June 2011 decrease to HK$507.8 million, representing a decrease of 18.2% as compared with HK$620.7 million for the corresponding period in 2010. Its overall gross profit margin dropped to 16.8% in the reporting period, down 12.7% as compared with 29.5% in the corresponding period of 2010. Meanwhile, the gross profit margin relating to 3G Coolpad smartphone decreased by 13.6%, as compared with the corresponding period of 2010. The decrease in gross profit margin was primarily attributable to the decline of ASPs as a result of the increase in the sales of mid and low-end Coolpad smartphone, and the intensifying competition within the handset industry during the reporting period.

OTHER INCOME AND GAINS

Other income and gains of the Group increased by HK$24 million, or 57.8%, to HK$65.5 million for the six months ended 30 June 2011 as compared with HK$41.5 million for the corresponding period in 2010. This net increase of HK$24 million was primarily generated from the increase of the Group's interest income and income from licensing software patents.

SELLING AND DISTRIBUTION COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Selling and distribution costs *(HK$ million)*	**190.5**	148.0
As a percentage of total revenue	**6.3%**	7.0%

Selling and distribution costs of the Group for the six months ended 30 June 2011 increased by HK$42.5 million to HK$190.5 million from HK$148.0 million for the corresponding period in 2010. The net increase of HK$42.5 million was primarily attributable to increased expenditures for marketing, advertising and promotion expenses to support new product launches. As a percentage of total revenue, selling and distribution costs significantly dropped to 6.3% in the first half of 2011 as compared with 7.0% in the corresponding period of 2010. The net decrease of 0.7% as a percentage of total revenue primarily reflected the Group has effectively controlled the marketing expenses through a series of strict expenses budgeting policies and measures during the reporting period.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Administrative expenses *(HK$ million)*	**230.1**	219.5
As a percentage of total revenue	**7.6%**	10.4%

Administrative expenses increased by HK$10.6 million to HK$230.1 million for the six months ended 30 June 2011 from HK$219.5 million for the corresponding period in 2010. The net increase of HK$10.6 million was primarily attributable to increased R&D expenditures. As a percentage of total revenue, administrative expenses dropped by 2.8% to 7.6% in the first half of 2011 as compared with 10.4% in the corresponding period of 2010. The net decrease of 2.8% as a percentage of total revenue primarily indicated the efficiency control of administrative and R&D expenses and the economy of scale achieved by the Group amid its continuous business expansion.

TAX

For the six months ended 30 June 2011, the Group's income tax expenses decreased to HK$10.8 million, representing a decrease of HK$4.9 million as compared with HK$15.7 million for the corresponding period in 2010. The decrease in the current income tax expenses was primarily due to the decreased profit before tax during the reporting period.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net profit of the Group amounted to HK$119.0 million, or HK5.33 cents basic EPS and HK5.20 cents diluted EPS, for the six months ended 30 June 2011 as compared with HK$272.4 million, or HK13.08 cents basic EPS and HK12.65 cents diluted EPS, for the six months ended 30 June 2010. The HK$153.3 million decrease in net profit in the first half of 2011 reflected primarily a decrease in gross profit and increase in sales and administration expenses.

GEARING RATIO & THE BASIS OF CALCULATION

The Group's gearing ratio as at 30 June 2011 was 55.5%, representing a decrease of 3.5% as compared with 59% as at 31 December 2010. The decrease was mainly attributable to the increase in the amount of the equity attributable to owners of the Company during the reporting period. The gearing ratio is equal to net debt divided by the sum of capital and net debt.

LIQUIDITY AND FINANCIAL RESOURCE

For the six months ended 30 June 2011, the Group had placed an aggregate of 150,000,000 shares at HK$4.55 per share, and repurchased 67,856,000 shares, in which 49,856,000 shares had been cancelled. The net proceeds from the placing amounted to approximately HK$669.0 million was applied for the Company's general working capital purposes. The cost for repurchasing the 67,856,000 shares was HK$117.0 million.

Cash and cash equivalents of the Group as at 30 June 2011 amounted to HK$1,043.9 million, while it was HK$641.9 million as at 31 December 2010.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities.

BUSINESS REVIEW

Upon the fast growing shipments volume of last financial year, the Group has reached a new record in shipments volume during the reporting period. The shipments volume of the Group for the six months ended 30 June 2011 were 4,600,000 units in total, 2,600,000 units more than that of the corresponding period of 2010, increased by 130%. The Group continued to deepen the redevelopment on the Android platform, build the differentiated products belonging to Coolpad brand, and enlarge the customer base and the brand reputation of Coolpad smartphones. For striving to develop Coolpad into the leader of 3G smartphone, the Group has taken a series of measures to enhance the cost control, optimize the flow of work through different departments of the Group, and improve the R&D capabilities in the smartphones field.

While the Group's customer base was still concentrated within the domestic telecommunication operators, the Group's sale was susceptible to the change of operators' 3G subscriber promotion strategies and policies. Also considering the increasing competition in the mid- and low-end 3G phones market, and many of the competitors had broader product lines, lower cost structure, larger customer bases, and advantages in technical, marketing, distribution and other resources, the Group's sales and shipments were much uncertain and volatile, resulting in a decline in both the ASP and gross profit margins.

For the six months ended 30 June 2011, the Group has been developing the Android operating system, and successionally launched ten new models: six new EVDO smartphones (such as Coolpad Daguan 9930 with 5-inch Display which has a resolving power of 960 by 480 pixels, D539 a long standby time smartphone, E239 an entry-level 3G smartphone), two TD-SCDMA smartphones (such as 8810 with a feature-rich, higher price performance smartphone), and two WCDMA smartphones (such as W721 with innovative V-shaped bottom industry design).

The Group continued to focus on the enhancement of the R&D capabilities, and positively promoted the key strategic platform of the mobile internet. During the reporting period, the Group has rolled out the first mobile cloud computing service platform named "Coolcloud" in Mainland China, which will be served as the strategy emphasis in the future. It's an integrated resolver and application platform service of the wireless data, based on the cloud computing technology and Coolpad terminals. The Coolcloud which aimed for the special users and market in China, could ensure the instant synchronization of the applications including Address List, Call Records, SMS, Memo, Photos, Files, etc.

The Group also attached importance to the customers' wonderful experience of Coolpad smartphones, and increased the software applications in succession in the "Coolmart" application store belonging to the Coolpad customers, such as the games, books and so on, through cooperating with independent third parties of Android software developers. The Coolmart offers a huge range of applications and services designed especially for Chinese users and an easy shopping experience. It is now easier than ever for Coolpad customers to find and download the hottest applications available. The Group continued to grow and strengthen the depth of cooperation with the domestic telecommunication operators in the field of R&D on mobile payment (such as NFC technology) and next generation network support (such as 4G technology of TD-LTE).

The Group has been striving to promote the 3G mass market, keeping the excellent brand reputation, and has reached the primary economy of scale for the six months ended 30 June 2011. Apart from the further consolidated cooperation with the domestic telecommunications operators, the Group has also built long-term strategic relations with some qualified distributors and agents, realizing the Group's multi-channel sales model. Through establishing the Coolpad 3G specialized outlets in some big supermarkets throughout Mainland China, or building the flagship stores owned by the Group, so the customers could truly experience the Coolpad smartphones and services, and the awareness of the Group's brand – "Coolpad" could be improved effectively.

The Group has reorganized the R&D department's structure and function, optimized the R&D resources. The reorganized R&D department could respond to the market demand more quickly, and could launch the new Coolpad products faster. The Group also strongly emphasized the enhancement of general operation efficiency, will continue to reorganize the marketing department's structure and function, and use the more effective internal information technology integrated systems, so as to further optimize the manufacturing process, and decrease the administrative expenses, and selling and distribution costs ratio to revenue. Sound internal management and quick responding to market and consumers also became another key competitive advantage for the Group.

BUSINESS OUTLOOK

Along with the explosive growth of the 3G subscribers, the Group will continue to promote the mid- and low-end mass market, and improve the Coolpad brand reputation. Through the enhancement of R&D capability, technological innovation, and product differentiation, the Group is going to launch more affordable and better cost/performance smartphones for the customers.

Technological innovation is the Group's core competitiveness. Incorporating a number of proprietary functions into the smartphones to meet the needs of customers, the Group will gain more market share from the high volume growth of 3G subscribers. The Group will deepen the redevelopment on the Android OS, and put the features of Coolpad into it. The Group believes that the Coolpad differentiated smartphone based on the Android OS could outstand from other competitive vendors. The Group will also focus on the construction of the Coolmart application store, providing more popular games, books, etc. to the Coolpad customers. The Group will strive to the mobile internet segment, continuously promote the Coolcloud, related technologies about cloud computing and storage.

Under the intensifying competition from peers, the Group will decrease the cost of components, through gradient price down from the suppliers and the economy of scale. The Group will introduce a series of dual-mode dual-working Coolpad 3G smartphone based on its technology advantage in regard to dual-mode dual-working smartphone, so as to further strengthen its leading position in the dual-mode niche market. In 2011, more than 25 new models will be launched, covering the three kinds of the mobile networks. The Group will launch 12 new EVDO smartphones, 8 TD-SCDMA smartphones, and 5 WCDMA smartphones. All of these new models will include the flip and slide smartphones, apart from the bar phones. Most of the screen sizes will be larger than 3.5 inch in these new smartphones.

The Group will continue to focus the technological innovation on the user interface (UI) and interaction industry design (ID), and launch more diversified smartphones for the customers to choose. In order to capture more market share in the domestic 3G mobile phone market, and quickly respond to the operator's needs for 3G entry-level smartphones, the Group will develop more mid- and low-end entry-level smartphones in the second half of 2011.

The Group will continue to expand its business to overseas market through cooperations with the foreign telecommunications operators. In order to quickly respond to market demand and operator needs, the Group will continue to reorganize the marketing department's structure and function, while the R&D department has been completed. To enhance the general operation efficiency, the Group will optimize the operating and manufacturing process through more efficient internal information technology systems, such as upgrade the ERP system.

In the coming future, because of the competitive 3G market, the Group will try to increase the sales volume, and adjust the product structure to develop more mid-to-high end smartphone, and control the purchase price, and to improve the efficiency internal control in the sales and R&D expenses so as to improve the make-up capacities of the Group's profit.

FOREIGN EXCHANGE EXPOSURE

During the reporting period, the Group's revenue, 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.

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to its short-term and long-term bank loans and other borrowings. The interests are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost. During the reporting period, the Group had entered into a number of the interest rate swaps contracts so as to reduce the interest rate volatility risk.

EMPLOYEES AND REMUNERATION POLICY

The total staff cost for the six months ended 30 June 2011 amounted to approximately HK$216.9 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-the-job training to its employees from time to time.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 30 June 2011.

MATERIAL ACQUISITION AND DISPOSAL DURING THE REPORTING PERIOD

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company had placed an aggregate of 150,000,000 shares at HK$4.55 per share, repurchased 67,856,000 shares, and cancelled 49,856,000 shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share option scheme" in this interim report, at no time during the reporting period were rights to acquire benefits by means of acquisition of shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of the Directors, the chief executive or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO''), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code''), for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules'') were as follows:

Long positions in shares of the Company:

Name of director	*Notes*	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a trust	Share option	Total	Approximate percentage of the Company's issued share capital
Mr. Guo Deying	*1 & 2*	–	831,171,248	14,332,000	–	831,171,248	–	845,503,248	38.23
Mr. Jiang Chao	*3*	–	–	–	14,332,000	–	–	14,332,000	0.65
Mr. Li Bin	*4*	5,000,000	–	–	–	–	6,748,000	11,748,000	0.53
Mr. Li Wang	*4*	4,200,000	–	–	–	–	5,000,000	9,200,000	0.42
Ms. Yang Xiao	*1&2*	–	831,171,248	14,332,000	–	–	–	845,503,248	38.23
Mr. Chan King Chung	*4*	96,000	–	–	–	–	96,000	192,000	0.01
Dr.Huang Dazhan	*4*	–	–	–	–	–	144,000	144,000	0.01
Mr. Xie Weixin	*4*	–	–	–	–	–	192,000	192,000	0.01
Mr. Yang Xianzu	*4*	–	–	–	–	–	192,000	192,000	0.01

Long positions in shares of an associated corporation:

Name of director	Note	Name of associated corporation	Number of shares held, capacity and nature of interest: Through spouse or minor children	Founder of a discretionary trust	Percentage of issued share capital of the associated corporation
Mr. Guo Deying	*1*	Data Dreamland Holding Limited	1,000	1,000	100
Ms. Yang Xiao	*1*	Data Dreamland Holding Limited	1,000	1,000	100

Notes:

1. The entire issued share capital of Data Dreamland Holding Limited ("Data Dreamland'') is held by Barrie Bay (PTC) Limited ("Barrie Bay''), which is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust held by HSBC International Trustee Limited ("HSBC Trustee'') acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a discretionary trust set up by Mr. Guo Deying ("Mr. Guo''), an executive Director, and his spouse, Ms. Yang Xiao ("Ms. Yang''), a non-executive Director, the beneficiary objects of which include the minor children of Mr. Guo and Ms. Yang. Each of Mr. Guo and Ms. Yang is taken to be interested in the 831,171,248 shares held by Data Dreamland as each of them is a settlor of the Barrie Bay Unit Trust and by virtue of the interests of their minor children under the Barrie Bay Unit Trust. The long positions in the Company's shares of each of Mr. Guo and Ms. Yang under the column "Through spouse or minor children'' and the column "Founder of a discretionary trust'' in the table headed "Long positions in shares of the Company'' above refers to the same 831,171,248 shares. Each of Mr. Guo and Ms. Yang is taken to be interested in the entire issued share capital of Data Dreamland as each of them is a settlor of the Barrie Bay Unit Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in shares of Data Dreamland of each of Mr. Guo and Ms. Yang in the column "Through spouse or minor children'' and the column "Founder of a discretionary trust'' under the table headed "Long positions in shares of an associated corporation'' above refers to the same 1,000 shares.

2. Mr. Guo was taken to be interested in the 14,332,000 Shares held by Wintech Consultants Limited as he was one out of the three directors of Wintech Consultants Limited and the other two directors were accustomed to act in accordance with Mr. Guo's direction.

3. Mr. Jiang Chao, an executive Director, was interested in the 14,332,000 shares held by Wintech Consultants Limited as he was one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the China Wireless Share Award Plan.

4. The interests of these Directors are in the underlying Shares of the options granted to the relevant Directors by the Company under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	*Notes*	Number of shares in which interested	Nature of interest	Total number of shares	Percentage of the Company's issued share capital
Data Dreamland Holding Limited ("Data Dreamland")	*1*	831,171,248	Beneficial owner	831,171,248	37.58
Barrie Bay Limited ("Barrie Bay")	*2*	831,171,248	Interest of controlled corporation	831,171,248	37.58
HSBC International Trustee Limited ("HSBC Trustee")	*2*	831,171,248	Trustee	831,171,248	37.58
The Capital Group Companies Inc.	–	113,152,000	Interest of controlled corporation	113,152,000	5.12
Capital Research and Management Company	–	113,152,000	Investment manager	113,152,000	5.12

Notes:

1. The entire issued share capital of Data Dreamland is held by Barrie Bay. Barrie Bay is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a discretionary trust set up by Mr. Guo and Ms. Yang and the discretionary objects of which include the minor children of Mr. Guo and Ms. Yang.

2. The 831,171,248 shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee.

Save as disclosed above, as at 30 June 2011, so far as the directors are aware, there are no other persons, other than the directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

Directors' rights to acquire shares or debentures

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time for the six months ended 30 June 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such right exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2.1 of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules 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 2011, in compliance with the Code.

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 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 Directors, the Directors have complied with the required standard set out in the Model Code, throughout the accounting period under review.

AUDIT COMMITTEE

The audit committee of the Company (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 2011 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.

For and on behalf of
China Wireless Technologies Limited
Guo Deying
Chairman & Chief Executive Officer

Hong Kong, 15 August 2011

As at the date of this announcement, the executive Directors are Mr. Guo Deying, Mr. Jiang Chao, Mr. Li Bin and Mr. Li Wang, the non-executive Director is Ms. Yang Xiao and the independent nonexecutive Directors are Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Yang Xianzu.