CHINA WIRELESS TECHNOLOGIES LIMITED
中 國 無 綫 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 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	**Change**
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
Revenue	**6,217,957**	3,027,298	105.4%
Profit before tax	**178,142**	129,925	37.1%
Tax	**26,081**	10,822	141.0%
Net profit attributable to owners of the Company	**152,518**	118,981	28.2%
Basic earnings per share	**7.10 cents**	5.33 cents	33.2%
Diluted earnings per share	**7.02 cents**	5.20 cents	35.0%
Proposed interim dividend per ordinary share	**–**	1.0 cent	(100%)

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 2012 together with comparative figures for the corresponding period of 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
REVENUE	4	**6,217,957**	3,027,298
Cost of sales		**(5,474,001)**	(2,519,531)
Gross profit		**743,956**	507,767
Other income and gains	4	**89,390**	65,523
Selling and distribution costs		**(254,418)**	(190,530)
Administrative expenses		**(371,671)**	(230,109)
Other expenses		**(4,941)**	(7,536)
Finance costs	6	**(24,491)**	(15,169)
Share of profit/(loss) of associates		**317**	(21)
PROFIT BEFORE TAX	5	**178,142**	129,925
Income tax expense	7	**(26,081)**	(10,822)
PROFIT FOR THE PERIOD		**152,061**	119,103
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of buildings, net of tax		**–**	143
Exchange differences on translation of foreign operations		**(7,395)**	30,310
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(7,395)**	30,453
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**144,666**	149,556
PROFIT FOR THE PERIOD			
Attributable to:			
Owners of the Company		**152,518**	118,981
Non-controlling interests		**(457)**	122
		152,061	119,103
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Attributable to:			
Owners of the Company		**145,123**	149,434
Non-controlling interests		**(457)**	122
		144,666	149,556
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**7.10 cents**	5.33 cents
Diluted		**7.02 cents**	5.20 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**541,980**	527,097
Investment properties		**336,084**	334,952
Prepaid land lease payments		**155,758**	110,222
Intangible assets		**148,066**	112,491
Investments in associates		**51,822**	34,523
Available-for-sale investments		**24,088**	11,102
Other non-current assets		**2,474**	8,374
Deferred tax assets		**12,832**	12,903
Total non-current assets		**1,273,104**	1,151,664
CURRENT ASSETS			
Inventories		**2,304,602**	1,668,545
Trade receivables	*10*	**1,119,208**	1,571,749
Bills receivable		**80,299**	685,276
Prepayments, deposits and other receivables		**481,019**	314,452
Due from directors		**1,437**	655
Pledged time deposits		**777,962**	1,080,007
Cash and cash equivalents		**1,435,413**	1,058,857
Total current assets		**6,199,940**	6,379,541
CURRENT LIABILITIES			
Trade payables	*11*	**2,070,401**	1,377,469
Bills payable		**1,680,815**	1,615,658
Other payables and accruals		**843,332**	981,719
Derivative financial instruments		**–**	8,377
Interest-bearing bank borrowings		**433,737**	1,190,094
Tax payable		**30,691**	24,986
Total current liabilities		**5,058,976**	5,198,303
NET CURRENT ASSETS		**1,140,964**	1,181,238
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,414,068**	2,332,902

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,414,068**	2,332,902
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**78,508**	67,843
Deferred tax liabilities	**59,301**	60,838
Other non-current liabilities	**6,133**	14,531
Total non-current liabilities	**143,942**	143,212
Net assets	**2,270,126**	2,189,690
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**21,340**	21,474
Shares held for the Share Award Plan	**(241)**	(321)
Reserves	**2,244,664**	2,121,007
Proposed final dividend	**–**	43,005
	2,265,763	2,185,165
Non-controlling interests	**4,363**	4,525
Total equity	**2,270,126**	2,189,690

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 production and sale of smartphones.

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 2012 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 2011.

2.2 Changes in accounting policy 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 2011 except for the first time adoption of the following new standards and interpretations:

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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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 Hong Kong Financial Reporting Standards

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (as revised in 2011)	*Employee Benefits*[2]
HKAS 27 (as revised in 2011)	*Separate Financial Statements*[2]
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32: *Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. OPERATING 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 profit/(loss) 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, an available-for-sale investment and investments in associates as these assets are managed on a group basis.

	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Six months ended 30 June 2012 (Unaudited)			
Segment revenue:			
Sales to external customers	**6,217,957**	–	**6,217,957**
Other revenue and gains	**57,336**	**15,289**	**72,625**
Total	**6,275,293**	**15,289**	**6,290,582**
Segment results	**175,941**	**14,551**	**190,492**
Reconciliation:			
Interest income			**16,765**
Finance costs			**(24,491)**
Share of profit of associates			**317**
Corporate and other unallocated expenses			**(4,941)**
Profit before tax			**178,142**
Six months ended 30 June 2011 (Unaudited)			
Segment revenue:			
Sales to external customers	3,027,298	–	3,027,298
Other revenue and gains	–	11,617	11,617
Total	3,027,298	11,617	3,038,915
Segment results	122,268	10,952	133,220
Reconciliation:			
Interest income			19,431
Finance costs			(15,169)
Share of loss of an associate			(21)
Corporate and other unallocated expenses			(7,536)
Profit before tax			129,925
Segment assets			
At 30 June 2012 (Unaudited)	**4,810,845**	**360,082**	**5,170,927**
At 31 December 2011 (Audited)	4,981,549	352,264	5,333,813

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 elimination of all intra-group transactions.

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of mobile phones	**6,217,957**	3,027,298
Other income		
Gross rental income	**15,289**	11,617
Bank interest income	**16,765**	19,431
Government grants and subsidies*	**43,479**	9,479
Others	**13,857**	24,996
	89,390	65,523
	6,307,347	3,092,821

* Government grants and subsidies represented refunds of VAT received 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 BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**5,458,792**	2,517,735
Depreciation	**18,361**	14,043
Amortisation of patents and licences*	**5,126**	4,917
Amortisation of prepaid land lease payments	**921**	769
Research and development costs:		
Product development costs amortised*	**13,401**	10,482
Current year expenditure*	**122,386**	101,081
	135,787	111,563
Operating lease rental	**10,362**	6,045
Loss on disposal of items of property, plant and equipment	**246**	653
Impairment of trade receivables	**–**	338
Provision for inventories	**15,209**	1,796

* The amortisation of patents and licences, amortisation of product development costs and the current year research and development expenditure are included in "Administrative expenses" in the profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**24,491**	15,169

7. INCOME TAX EXPENSE

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.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the 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.

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group:		
Current	**26,010**	11,175
Deferred	**71**	(353)
Total tax charge for the period	**26,081**	10,822

8. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$0.01).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$152,518,000 (six months ended 30 June 2011:HK$118,981,000), and the weighted average number of ordinary shares of 2,147,042,505 in issue during the six months ended 30 June 2012 (six months ended 30 June 2011: 2,232,369,127).

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK$152,518,000. 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 25,262,308 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:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**152,518**	118,981

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,147,042,505**	2,232,369,127
Effect of dilution – weighted average number of ordinary shares: share options	**25,262,308**	56,242,348
	2,172,304,813	2,288,611,475

10. TRADE RECEIVABLES

Sales of the Group's products are normally settled on a cash-on-delivery basis. However, in the cases of long-standing customers and those with a good repayment history, the Group may offer these customers with a credit period of 30 to 90 days. Trade receivables are non-interest-bearing.

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,067,594**	1,526,898
4 to 6 months	**20,853**	21,322
7 to 12 months	**29,465**	23,529
Over 1 year	**1,296**	1,662
	1,119,208	1,573,411
Less: Impairment	**–**	(1,662)
	1,119,208	1,571,749

11. TRADE PAYABLES

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

	30 June 2012	31 December 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**2,015,870**	1,361,305
4 to 6 months	**52,815**	13,212
7 to 12 months	**1,330**	1,799
Over 1 year	**386**	1,153
	2,070,401	1,377,469

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE ANALYSED BY PRODUCT TYPES

A comparative breakdown of the consolidated revenue streams into the product types are set forth in the following table for the periods indicated:

	Six months ended 30 June			
	2012		2011	
Revenues	**Revenue** *HK$ million* **(Unaudited)**	**% of total revenue**	Revenue *HK$ million* (Unaudited)	% of total revenue
3G Coolpad smartphone	**6,184.2**	**99.5%**	2,962.4	97.9%
2G Coolpad smartphone	**–**	**–**	52.5	1.7%
Other products	**33.8**	**0.5%**	12.4	0.4%
Total	**6,218.0**	**100%**	3,027.3	100%

The Group's unaudited revenue for the six months ended 30 June 2012 amounted to HK$6,218.0 million, representing a remarkable growth of 105.4% as compared with HK$3,027.3 million for the six months ended 30 June 2011. The significant increase in revenue during the 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, and the increasing market share of Coolpad smartphone in Mainland China during the first half of 2012.

The revenue from 3G Coolpad smartphone increased by 108.8% to HK$6,184.2 million for the six months ended 30 June 2012 as compared with HK$2,962.4 million for the corresponding period in 2011. Revenue contribution from this segment surged from 97.9% in the first half of 2011 to 99.5% in the first half of 2012. The significant increase in revenue of 3G Coolpad smartphone was primarily attributable to the high quality and reasonable price of Coolpad new smartphone models and the increase of market demands of the 3G smartphone during the period. So far, the Group's product lines have covered all range of 3G networks, including TD-SCDMA, CDMA-EVDO as well as WCDMA network. The Group ceased to sell 2G smartphone models during the current period. Therefore, the sales of 3G Coolpad smartphone have already become the Group's main revenue stream.

The revenue from other products was primarily generated from the sales of Coolpad smartphone's accessories. The revenue from other products increased by HK$21.4 million, or 172.6%, to HK$33.8 million for the six months ended 30 June 2012 as compared with HK$12.4 million for the corresponding period in 2011. The increase in the revenue from other products during the period was mainly attributable to the increase in the sales of Coolpad smartphone's accessories.

GROSS PROFIT

Gross Profit	Six months ended 30 June 2012 Gross profit *HK$ million* (Unaudited)	2012 Gross profit margin	2011 Gross profit *HK$ million* (Unaudited)	2011 Gross profit margin
3G Coolpad smartphone	**737.8**	**11.9%**	507.8	17.1%
2G Coolpad smartphone	**–**	**–**	(3.9)	(7.4%)
Other products	**6.2**	**18.3%**	3.9	31.5%
Total	**744.0**	**12.0%**	507.8	16.8%

The Group's overall gross profit for the six months ended 30 June 2012 increased to HK$744.0 million, representing an increase of 46.5% as compared with HK$507.8 million for the corresponding period in 2011. Its overall gross profit margin dropped to 12.0% in the period, down 4.8% as compared with 16.8% in the corresponding period of 2011. The decrease in gross profit margin was primarily attributable to the intensifying competition within the handset industry during the period.

OTHER INCOME AND GAINS

Other income and gains of the Group increased by HK$23.9 million, or 36.5%, to HK$89.4 million for the six months ended 30 June 2012 as compared with HK$65.5 million for the corresponding period in 2011. This slight increase of HK$23.9 million was primarily generated from the increase of the Group's rental income, governmental and other subsidies.

SELLING AND DISTRIBUTION COSTS

	Six months ended 30 June 2012 (Unaudited)	2011 (Unaudited)
Selling and distribution costs *(HK$ million)*	**254.4**	190.5
As a percentage of total revenue	**4.1%**	6.3%

Selling and distribution costs of the Group for the six months ended 30 June 2012 increased by HK$63.9 million to HK$254.4 million from HK$190.5 million for the corresponding period in 2011. The net increase of HK$63.9 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 4.1% in the first half of 2012 as compared with 6.3% in the corresponding period of 2011. The net decrease of 2.2% 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 period.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Administrative expenses *(HK$ million)*	**371.7**	230.1
As a percentage of total revenue	**6.0%**	7.6%

Administrative expenses increased by HK$141.6 million to HK$371.7 million for the six months ended 30 June 2012 from HK$230.1 million for the corresponding period in 2011. The net increase of HK$141.6 million was primarily attributable to the increased R&D expenditures, as the headcounts of R&D personnel increased. As a percentage of total revenue, administrative expenses dropped by 1.6% to 6.0% in the first half of 2012 as compared with 7.6% in the corresponding period of 2011. The net decrease of 1.6% as a percentage of total revenue primarily indicated the economy of scale achieved by the Group amid its continuous business expansion and the efficient control of the administrative expenses.

INCOME TAX EXPENSE

For the six months ended 30 June 2012, the Group's income tax expenses increased to HK$26.1 million, representing an increase of HK$15.3 million as compared with HK$10.8 million for the corresponding period in 2011. The increase in the current income tax expense was primarily due to the increase of the Group's profit before tax and increase in tax rate during the period.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net profit attributable to owners of the Company amounted to HK$152.5 million, for the six months ended 30 June 2012 as compared with HK$119.0 million, for the six months ended 30 June 2011. The increase in net profit attributable to owners of the Company by HK$33.5 million in the first half of 2012 reflected primarily an increase in the gross profit, which was partially offset by an increase in the Group's selling and distribution costs, administrative expenses and income tax expenses.

LIQUIDITY AND FINANCIAL RESOURCE

For the six months ended 30 June 2012, 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. The Group had a gearing ratio of 61.8% (31 December 2011: 65.6%). The decrease was mainly attributable to the increase of capital as a result of increased net profit during the period. The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Cash and cash equivalents of the Group as at 30 June 2012 amounted to HK$1,435.4 million, while it was HK$1,058.9 million as at 31 December 2011.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities.

PLEDGED OF ASSETS

As at 30 June 2012, the following assets of the Group were used to secure certain bank borrowings of the Group: (i) investment properties of approximately HK$103.0 million (31 December 2011: HK$104.0 million); (ii) time deposits of approximately HK$390.0 million (31 December 2011: HK$325.0 million). As at 30 June 2012, the Group's time deposits of approximately HK$387.0 million were also used to secure bills payable (31 December 2011: HK$689.4 million).

BUSINESS REVIEW

Since the Group expanded the main part of the business from the high-end smartphone niche market into the mass market, and captured the opportunity of popularizing the third-generation(3G) network, the sales scale and the revenue of the Group kept increasing, and achieved a new record during the period, even though there were heavier competitions in the 3G smartphone market. Operating revenue of the Group for the six months ended 30 June 2012 reached HK$6,218.0 million, increased by HK$3,190.7 million or 105.4% compared with that of the corresponding period of 2011. Meanwhile, net profit attributable to owners of the Company increased by HK$33.5 million, or 28.2%, to HK$152.5 million for the six months ended 30 June 2012, compared with that of the corresponding period of 2011. The basic earnings per share for the six months ended 30 June 2012 increased to HK7.10 cents from HK5.33 cents of the corresponding period of last year. The Group's overall average selling price ("ASP") increased to HK$733.7 in the first half of 2012 from HK$655.0 for the corresponding period in 2011. The rise of the overall ASP was primarily because of the more new 3G smartphone models launched during the period.

The three domestic telecommunications carriers in Mainland China (China Telecom, China Mobile, and China Unicom) kept on popularizing the 3G network, accompanied with more affordable monthly fee and attractive subsidies for purchasing the 3G smartphone. As a result, the net-added 3G new users held a strong momentum of an increase during the period, and the demands of the market for the 3G smartphone were more enlarged. Benefitting from this and the expansion of the market demands during the period, and depending on a series of richer, more competitive products, the Group achieved larger 3G smartphone market share, and the brand recognition of the Group's 酷派 Coolpad was improved substantially during the period, through vigorously exploring the sales channel and market space, aggressively enlarging the sales scale.

The Group deeply researched and developed smartphone based on the code-opened operating system Android platform, and retained the advantages of these traditional smart genes owned by 酷派 Coolpad (the individual applications such as dual-mode dual-working, private model, better handwriting identification, three-step contacts search). Except those traditional smart genes, the Group also invented and added the innovative 酷派 Coolpad genes (the new applications such as Coolcloud platform, Coolmart application store), which had brought Coolpad users better smartphone user experience. The products and the R&D department could accelerate the R&D cycle of the new products and the rhythm of coming into the market for the new ones, through the advantage of leading technology, and the mature Android differentiated platform containing the Coolpad genes, which could help launch more new products with high quality in the near future. For the six months ended 30 June 2012, the Group had launched five series (including the Magview series, the long standby time series, the dual panel series, the smart cool series, and the play cool series) and more than fifteen new products successfully, which were deeply adored among the customers.

In the first half of 2012, the Group launched the third generation one thousand yuan smartphones fast, covering the three kinds of the 3G network in Mainland China. These products were deeply adored by customers for their high quality and reasonable price, so they were sold well in domestic market and were also exported to the overseas markets. Coolpad 7260 was one of the best selling smartphones based on the WCDMA network, with 4.0 inch big touch screen, fashionable style. Coolpad 5832 was the cheapest dual-mode dual-working smartphone, which the young people and the students were very satisfied with. Coolpad 7728 was the first dual core mid-end smartphone, which was popular by its excellent performance and the affordable price to most of the customers. Coolpad 8180 was one TD-SCDMA high cost/performance smartphone, by which the users could enjoy the online TV free.

The Group not only got more market share and earned higher reputation of the Coolpad brand in the smartphone markets of Mainland China etc by fast, accurate and resolute execution capability, but also achieved a breakthrough development in the North America markets. Apart from strengthening the cooperation with the domestic telecommunications carriers, the Group also set up a long term strategy relationship with some qualified distributors and agents to achieve multi-sales channels. The Group established the Coolpad 3G outlets in several super markets in Mainland China, or the flagship shops owned by the Group, so that its users could enjoy the wonderful Coolpad smartphone and services to promote the 酷派 Coolpad brand recognition of the Group effectively. The Group had researched and developed the next generation network 4G technology smartphone based-on FDD-LTE technology, and planned to enter into the North America market to seize the commanding point of new technology, through cooperating with the local telecommunications carriers to penetrate into the market. In February 2012, the Group firstly attended the seventh Mobile World Congress (MWC) held in Barcelona, Spanish officially, and 酷派 Coolpad brand recognition was improved a lot in the global smartphone market by several excellent Coolpad products.

As the number of the smartphone users was increasing constantly, the demands of the security and the secrecy for the users' data were also becoming more and more important, which brought more tests to the companies on the R&D contribution of the smartphone security. The Group had been emphasizing the security and the secrecy of the users' data since the beginning of establishment, and the private model in 酷派 Coolpad smartphone could make sure the usage of the users' personal data more reassuring. The speed of the newly launched Coolcloud 3.0 version was more faster than that of the Coolcloud 2.0 version, which could help the users synchronize the data quicker, and make the data synchronization of the smartphone more effectively, so the Group was aggressively promoting the core platform of the mobile internet based on the smartphone belonged to the Group.

As the Group expanded the product mix into the mass market, the sales scale continued to be increasing, the market share of 酷派 Coolpad got higher every month gradually, and several 酷派 Coolpad new products of the Group were popular among the customers. The joint efforts from every business section and the IT system were indispensable to the gratifying achievements and the scale increase of the Group. The new SAP system was put into use officially in April this year, which made the integrated information technology systems of the Group more effectively, and provided a strong management system support for the scale increase of the Group in the future. In the phase of popularizing the mid- and low-end smartphone, even though there were more competitions in the market, the Group continued to emphasize the improvement of the whole operating efficiency, and optimize the processes, in order to minimize the ratio of the administrative expenses and the sales and distribution costs to the revenue. The capacity of the factory located in Dongguan City continued to be improved, to satisfy the scale increase and the products demands of the Group completely. The product quality and the production cost controls were also assured, depending on the improvements of the infrastructure for the product testing and assembly.

BUSINESS OUTLOOK

As the popularization of the 3G network still has a long way to go, with the high brand recognition of the 酷派 Coolpad in Mainland China, the Group is going to enlarge the sales scale, and improve the market share further, which could help promote the lasting increase of the number of the 3G network users. The Group will hold the notion of the technology innovation, launch more differentiated products, improve the capability of the market and the distribution gradually, and improve the operating efficiency in the future. While keeping the dominant position in domestic 3G smartphone market, the Group plans to speed up the expansion of the overseas markets, in order to become the leading brand in the world with the core competitiveness.

The competition of the R&D and the user experience of the products will still be the core competition of the smartphone in the future. The excellent R&D team of the Group will pursue the technology innovation, concentrate on improving the user experience of the new 酷派 Coolpad products, and apply more patents mainly distributed in software, hardware, and the wireless telecommunication network etc. The Android smartphone carrying on the Coolpad traditional genes and other differentiated features, will make Coolpad brand more competitive, while the Android system is the most popular one in the market at present. The Coolcloud platform, based on the cloud-computing cloud-storage technology, will be poured into more practical, securable functions, and become another core competition ability of the Group in the future of the wireless internet development. The useful functions, such as Coolweather, Coolmedia, Coolbook, Coolnav, will bring more convenient life style to the Coolpad users. While cooperating with telecommunications carriers deeply, the Group will prepare for smartphones based on the next generation (TD-LTE, FDD-LTE technology) network, and develop the near field payment smartphone based on the China standard. The fourth generation 4G network technology will be the next major development direction of the telecommunications carriers, along with the subsidy on the smartphones, the Group will tightly grasp the historic chance brought by the 4G network, while guaranteeing the scale increase of the 3G smartphone.

Technology innovation will still be the core development of the Group in the future, and be the main point of the R&D team. While persisting on the technology innovation, the Group will also lower the cost of the components effectively depending on the scale advantage of the shipments. On the hardware point, the Group will communicate with the components suppliers deeply, and launch more wonderful products on the condition of controlling its cost. For example, the Qualcomm Reference Design (QRD) solution, provided by Qualcomm Incorporated, one of the chipset suppliers of the Group, could improve the R&D efficiency significantly, lessen the R&D cost, and speed up the rhythm of the new products coming into the market. On the software of the system platform point, the Group will continue to develop the new smartphones based on Android 4.0 version (Ice Cream Sandwich, ICS), prepare on the latest version Android 4.1, and test the other smartphone operating systems, in order to build the multi-platforms of the Coolpad products.

The Group will launch much richer 3G products based on the three kinds of network standards (CDMA-EVDO, TD-SCDMA, WCDMA), and more dual-mode dual-working smartphone with different styles. The Group plans to launch more than 30 new models in the full year of 2012, whose user interface (UI) will be more friendly, industry design (ID) will be more advanced, and colors will be more for the customers to choose. In the Magview series of the high-end smartphone, the Group will launch the third generation flagship series Magview S, which will be equipped with higher spec of the chipset, more friendly and convenient user interaction. In the other series of the new products, the whole hardware spec, the software service, and the ID will be launched with more promotion and more surprise. Especially, as for the R&D work of the smartphone based on the FDD-LTE network standard, the Group is going to launch this one in the second half of 2012 in North America, which states a new milestone of the Group on the R&D capacity and the global market expansion.

The Group will keep focusing on the customized smartphone market for the telecommunications carriers, and endeavor to develop the direct and indirect open channels, in order to enlarge the clients' base and improve the brand recognition of Coolpad. The Group will also establish more Coolpad flagship stores in the one-tier and the two-tier cities of Mainland China as a communication paradise for the Coolpad users, which also could help the new Coolpad users to understand the wonderful features of Coolpad smartphone. The Group will not only consolidate the market share of the smartphone in Mainland China, but also expand the overseas markets.

Looking ahead, even though the present 3G smartphone mass market is still highly competitive, the Group believes that the scale increase will get a higher achievement, depending on the well-known brand recognition, the good relationship with the suppliers, and the high quality of the client base. As most of the Group's products are customized for the telecommunications carriers, the price of the products will be influenced by the subsidy plans and the 3G promotion polices. At the same time, the carriers channel will be more open than before, the trend for the smartphone terminal competition seems hardly to be lessened at present, more competitors will enter into the 3G market, and the competition will be intensifying in the future, so the gross profit margin and ASP will continuously fall influenced by those factors. But the Group will execute the strict cost control, optimize the internal processes, improve the whole operating efficiency, decrease the operating cost, and strengthen the control of the sales and the R&D expenses, in order to decrease the risk of competition and decrease gross profit margin.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue, cost of sales and certain portion of the bank loans are denominated in USD. Exchange rate fluctuations between RMB and USD may affect the Group's performance and asset value. The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2012.

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. To the end of the period, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

EMPLOYEES AND REMUNERATION POLICY

The total staff costs for the six months ended 30 June 2012 amounted to approximately HK$220.8 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 2012.

MATERIAL ACQUISITION AND DISPOSAL DURING THE PERIOD

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

ISSUE, PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2012, the Company repurchased a total of 30,028,000 of its own ordinary shares on the Stock Exchange at the aggregate consideration of approximately HK$37.6 million. 18,768,000 shares in the repurchased shares were cancelled by the Company upon such repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the condensed consolidated statement of changes in equity. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them.

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

As at 30 June 2012, 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	11,628,000	–	831,171,248	–	842,799,248	39.49
Mr. JIANG Chao	*3*	–	–	–	11,628,000	–	–	11,628,000	0.54
Mr. LI Bin	*4*	–	–	–	–	–	7,348,000	7,348,000	0.34
Mr. LI Wang	*4*	5,020,000	–	–	–	–	5,800,000	10,820,000	0.51
Ms. YANG Xiao (Resigned on 18 June 2012)	*1 & 2*	–	831,171,248	11,628,000	–	831,171,248	–	842,799,248	39.49
Mr. CHAN King Chung	*4*	96,000	–	–	–	–	96,000	192,000	0.01
Mr. HUANG Dazhan	*4*	48,000	–	–	–	–	96,000	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:

		Number of shares held, capacity and nature of interest			
Name of director	***Note***	**Name of associated corporation**	**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 Limited ("Barrie Bay"), which is acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a unit trust held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the Barrie Bay Trust. The Barrie Bay Trust is a discretionary trust set up by Mr. GUO Deying ("Mr. GUO"), an executive Director, and his spouse, Ms. YANG Xiao ("Ms. YANG"), 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 Trust and by virtue of the interests of their minor children under the Barrie Bay 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 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 11,628,000 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 11,628,000 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 in the underlying Shares are 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 2012, 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	38.95
Barrie Bay Limited ("Barrie Bay")	*2*	831,171,248	Interest of controlled corporation	831,171,248	38.95
HSBC International Trustee Limited ("HSBC Trustee")	*2*	831,171,248	Trustee	831,171,248	38.95

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 an unit trust which are 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 2012, 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 2012 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 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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2. 1 of the Code of Corporate Governance Practices (the "Code") as was 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 2012, 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 2012 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, 20 August 2012

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