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)

2012 ANNOUNCEMENT OF FINAL RESULTS

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2012	2011	**Variance**
	HK$'000	*HK$'000*	*(%)*
Revenue	**14,358,830**	7,340,495	95.6
Profit before tax	**418,160**	324,297	28.9
Profit for the year attributable to owners of the Company	**325,581**	271,364	20.0
Basic earnings per share	**HK15.39 cents**	HK12.39 cents	24.2
Diluted earnings per share	**HK15.12 cents**	HK12.15 cents	24.4
Annual dividend per ordinary share	**HK3.0 cents**	HK3.0 cents	–
– Paid interim dividend per ordinary share	**–**	HK1.0 cent	(100.0)
– Proposed final dividend per ordinary share	**HK3.0 cents**	HK2.0 cents	50.0

The board (the "Board") of directors (the "Directors") of China Wireless Technologies Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	4	**14,358,830**	7,340,495
Cost of sales		**(12,639,067)**	(6,259,135)
Gross profit		**1,719,763**	1,081,360
Other income and gains	4	**320,915**	319,758
Selling and distribution expenses		**(869,704)**	(466,255)
Administrative expenses		**(673,658)**	(558,702)
Other expenses		**(17,823)**	(5,345)
Finance costs	6	**(55,200)**	(46,303)
Share of profits and losses of:			
A jointly-controlled entity		**(6,684)**	–
Associates		**551**	(216)
PROFIT BEFORE TAX	5	**418,160**	324,297
Income tax expense	7	**(93,857)**	(53,228)
PROFIT FOR THE YEAR		**324,303**	271,069
OTHER COMPREHENSIVE INCOME			
Gain/(loss) on property revaluation		**(7,827)**	40,855
Income tax effect		**1,542**	(6,531)
		(6,285)	34,324
Exchange differences on translation of foreign operations		**6,766**	77,826
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**481**	112,150
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**324,784**	383,219

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
PROFIT FOR THE YEAR			
Attributable to:			
Owners of the Company		**325,581**	271,364
Non-controlling interests		**(1,278)**	(295)
		324,303	271,069
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Attributable to:			
Owners of the Company		**326,062**	383,514
Non-controlling interests		**(1,278)**	(295)
		324,784	383,219
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**15.39 cents**	12.39 cents
Diluted		**15.12 cents**	12.15 cents

Details of the dividends for the year are disclosed in note 8 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**536,973**	527,097
Investment properties		**309,690**	334,952
Prepaid land lease payments		**125,405**	110,222
Intangible assets		**160,858**	112,491
Investment in a jointly-controlled entity		**6,533**	–
Investments in associates		**52,787**	34,523
Available-for-sale investment		**24,426**	11,102
Other non-current assets		**23,755**	8,374
Deferred tax assets		**3,946**	12,903
Total non-current assets		**1,244,373**	1,151,664
CURRENT ASSETS			
Inventories		**1,811,233**	1,668,545
Trade receivables	*10*	**2,183,160**	1,571,749
Bills receivable	*11*	**233,055**	685,276
Prepayments, deposits and other receivables		**648,445**	314,452
Due from directors		**–**	655
Pledged deposits		**709,595**	1,080,007
Cash and cash equivalents		**1,273,540**	1,058,857
Total current assets		**6,859,028**	6,379,541
CURRENT LIABILITIES			
Trade payables	*12*	**1,742,283**	1,377,469
Bills payable	*13*	**2,080,461**	1,615,658
Other payables and accruals		**1,170,201**	981,719
Derivative financial instruments		**–**	8,377
Interest-bearing bank borrowings		**535,950**	1,190,094
Due to an associate		**7,518**	–
Tax payable		**55,356**	24,986
Total current liabilities		**5,591,769**	5,198,303
NET CURRENT ASSETS		**1,267,259**	1,181,238
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,511,632**	2,332,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2012

	Note	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,511,632**	2,332,902
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**23,635**	67,843
Deferred tax liabilities		**62,154**	60,838
Other non-current liabilities		**12,856**	14,531
Total non-current liabilities		**98,645**	143,212
Net assets		**2,412,987**	2,189,690
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**20,944**	21,474
Shares held for the Share Award Plan		**(240)**	(321)
Reserves		**2,326,200**	2,121,007
Proposed final dividend	*8*	**62,836**	43,005
		2,409,740	2,185,165
Non-controlling interests		**3,247**	4,525
Total equity		**2,412,987**	2,189,690

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 year, 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's 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*
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*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its 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, share of loss of a jointly-controlled entity, share of profits and losses of associates and finance costs as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, an amount due to an associate, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Year ended 31 December 2012			
Segment revenue:			
Sales to external customers	**14,358,830**	**–**	**14,358,830**
Other revenue and gains	**212,679**	**46,664**	**259,343**
Total	**14,571,509**	**46,664**	**14,618,173**
Segment results	**385,783**	**41,883**	**427,666**
Reconciliation:			
Interest income			**61,572**
Share of loss of a jointly-controlled entity			**(6,684)**
Share of profits of associates			**551**
Corporate and other unallocated expenses			**(9,745)**
Finance costs			**(55,200)**
Profit before tax			**418,160**
Segment assets	**5,708,816**	**323,758**	**6,032,574**
Reconciliation:			
Investment in a jointly-controlled entity			**6,533**
Investments in associates			**52,787**
Corporate and other unallocated assets			**2,011,507**
Total assets			**8,103,401**
Segment liabilities	**4,997,921**	**7,880**	**5,005,801**
Reconciliation:			
Corporate and other unallocated liabilities			**684,613**
Total liabilities			**5,690,414**
Other segment information:			
Impairment of trade receivables	**3,762**	**–**	**3,762**
Write-down of inventories to net realisable value	**95,673**	**–**	**95,673**
Fair value gains on investment properties	**–**	**10,428**	**10,428**
Product warranty provision	**92,702**	**–**	**92,702**
Depreciation and amortisation	**116,999**	**244**	**117,243**
Capital expenditure*	**212,318**	**–**	**212,318**

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

	Mobile phone *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Year ended 31 December 2011			
Segment revenue:			
Sales to external customers	7,340,495	–	7,340,495
Other revenue and gains	242,221	46,359	288,580
Total	7,582,716	46,359	7,629,075
Segment results	302,075	42,908	344,983
Reconciliation:			
Interest income			31,178
Share of losses of associates			(216)
Corporate and other unallocated expenses			(5,345)
Finance costs			(46,303)
Profit before tax			324,297
Segment assets	4,981,549	352,264	5,333,813
Reconciliation:			
Investments in associates			34,523
Corporate and other unallocated assets			2,162,869
Total assets			7,531,205
Segment liabilities	3,982,247	7,130	3,989,377
Reconciliation:			
Corporate and other unallocated liabilities			1,352,138
Total liabilities			5,341,515
Other segment information:			
Impairment of trade receivables	922	–	922
Write-down of inventories to net realisable value	24,227	–	24,227
Fair value gains on investment properties	–	15,024	15,024
Product warranty provision	62,495	–	62,495
Depreciation and amortisation	74,930	280	75,210
Capital expenditure	180,729	–	180,729

Geographical information

(a) Revenue from external customers

	2012	2011
	HK$'000	*HK$'000*
Mainland China	**13,098,319**	7,285,899
Overseas	**1,260,511**	54,596
	14,358,830	7,340,495

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Mainland China	**1,233,294**	1,138,608
Overseas	**7,133**	153
	1,240,427	1,138,761

The non-current asset information above is based on the locations of the assets excluding deferred tax assets.

Information about major customers

Revenue from major customers, each of which amounted to 10% or more of the Group's revenue, is as follows:

	Operating segment	**2012**	2011
		HK$'000	*HK$'000*
Customer A	Mobile phone	**4,037,160**	n.a.
Customer B	Mobile phone	**3,070,609**	1,260,791
Customer C	Mobile phone	**2,542,080**	1,555,006
Customer D	Mobile phone	**n.a.**	937,099

n.a. Less than 10% of the Group's revenue

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.

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

	2012 *HK$'000*	2011 *HK$'000*
Revenue		
Sale of mobile phones	**14,358,830**	7,340,495
Other income		
Bank interest income	**61,572**	31,178
Government grants and subsidies*	**144,213**	134,373
Gross rental income	**36,236**	31,335
Others	**60,951**	59,989
	302,972	256,875
Gains		
Foreign exchange gains, net	**–**	45,540
Fair value gains on derivative financial instruments – transactions not qualifying as hedges	**7,239**	2,319
Gain on disposal of a piece of land	**276**	–
Fair value gains on investment properties	**10,428**	15,024
	17,943	62,883
	320,915	319,758

* Government grants and subsidies represented refunds of VAT received from a tax bureau and 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 and subsidies.

5. PROFIT BEFORE TAX

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

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**12,543,394**	6,234,908
Depreciation	**41,503**	40,380
Amortisation of patents and licences*	**28,441**	8,020
Amortisation of prepaid land lease payments	**2,506**	1,934
Research and development costs*:		
Product development costs amortised	**44,793**	24,876
Current year expenditure	**325,774**	217,926
	370,567	242,802
Impairment of trade receivables	**3,762**	922
Write-down of inventories to net realisable value	**95,673**	24,227
Direct operating expenses arising on rental-earning investment properties	**4,781**	3,451
Product warranty provision	**92,702**	62,495
Loss on disposal of items of property, plant and equipment	**5,170**	661
Foreign exchange losses, net	**4,316**	–

* Included in "Administrative expenses" in the consolidated statement of comprehensive income

6. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank loans	**51,497**	39,252
Discounted trade and bills receivables	**3,703**	7,051
	55,200	46,303

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 (the "PRC Subsidiaries").

No provision for Hong Kong profits tax has been made (2011: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2012	2011
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**89,292**	34,884
Overprovision in prior years	**(6,796)**	(612)
Deferred	**11,361**	18,956
Total tax charge for the year	**93,857**	53,228

The Group's PRC Subsidiaries are subject to corporate income tax ("CIT") at a rate of 25%. Certain subsidiaries of the Group operating in Mainland China are eligible for certain tax concessions. Major tax concessions applicable to the entities within the Group are detailed as follows:

(a) Coolpad Software Tech (Shenzhen) Co., Ltd. ("Shenzhen Coolpad"), the Company's wholly-owned subsidiary, was assessed as a high-technology enterprise and was subject to CIT at a rate of 15% for the year ended 31 December 2012. In addition, Shenzhen Coolpad has been assessed as a key software developer within the state plan for 2011 and 2012 and was entitled to a reduction in the applicable CIT rate for the year ended 31 December 2011, retrospectively, and for the year ended 31 December 2012. In this regard, Shenzhen Coolpad was subject to CIT at a reduced rate of 10% for each of the two years ended 31 December 2011 and 2012.

(b) Yulong Computer Telecommunications Scientific (Shenzhen) Co., Ltd., the Company's wholly-owned subsidiary, was assessed as a high-technology enterprise and was subject to CIT at a rate of 15% for the year ended 31 December 2012.

(c) Dongguan Yulong Telecommunications Tech Co., Ltd., the Company's wholly-owned subsidiary, is a foreign investment enterprise and was subject to CIT at a reduced rate of 12.5% for the three years ended 31 December 2012.

(d) Xi'an Coolpad Software Tech Co., Ltd. ("Xi'an Coolpad"), the Company's wholly-owned subsidiary, was assessed as a software enterprise and was exempted from CIT for the two years ended 31 December 2010 and 2011 and is entitled to a 50% reduction in the applicable tax rate for CIT for the three years ending 31 December 2014. Therefore, Xi'an Coolpad was subject to CIT at a rate of 12.5% for the year ended 31 December 2012.

8. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim – Nil (2011: HK1 cent) per ordinary share	**–**	21,451
Proposed final – HK3 cents (2011: HK2 cents) per ordinary share	**62,836**	43,005
	62,836	64,456

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 2,114,853,935 (2011: 2,190,412,197) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**325,581**	271,364

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year	**2,116,093,003**	2,192,016,197
Weighted average number of shares purchased for the Share Award Plan	**(1,239,068)**	(1,604,000)
Adjusted weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,114,853,935**	2,190,412,197
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**38,156,393**	42,754,598
	2,153,010,328	2,233,166,795

10. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**2,187,026**	1,573,411
Impairment	**(3,866)**	(1,662)
	2,183,160	1,571,749

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**2,155,200**	1,526,898
4 to 6 months	**6,143**	21,322
7 to 12 months	**1,866**	23,529
Over 1 year	**23,817**	1,662
	2,187,026	1,573,411
Less: Impairment	**(3,866)**	(1,662)
	2,183,160	1,571,749

11. BILLS RECEIVABLE

	2012	2011
	HK$'000	*HK$'000*
Bills receivable	**233,055**	282,131
Bills receivable discounted with recourse	**–**	403,145
	233,055	685,276

An aged analysis of the bills receivable as at the end of the reporting period, based on the issue date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**233,055**	282,131
4 to 12 months	**–**	403,145
	233,055	685,276

Bills receivable are non-interest-bearing.

At 31 December 2012 and 2011, the Group did not have any past due or impaired bills receivable.

12. TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**1,680,626**	1,361,305
4 to 6 months	**56,220**	13,212
7 to 12 months	**5,233**	1,799
Over 1 year	**204**	1,153
	1,742,283	1,377,469

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

13. BILLS PAYABLE

An aged analysis of the bills payable as at the end of the reporting period, based on the issue date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**2,080,461**	1,212,513
4 to 12 months	**–**	403,145
	2,080,461	1,615,658

At 31 December 2012, the Group's bills payable were secured by time deposits of HK$575,819,000 (2011: HK$689,390,000).

MANAGEMENT DISCUSSION & ANALYSIS

REVENUE ANALYZED BY PRODUCT

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

	Year Ended 31 December			
	2012		2011	
	Revenue *HK$ million*	**% of revenue**	Revenue *HK$ million*	% of revenue
4G Coolpad smartphone	**1,230.2**	**8.6**	–	–
3G Coolpad smartphone	**13,097.7**	**91.2**	7,258.6	98.9
2G Coolpad smartphone	**–**	**–**	55.3	0.7
Others	**30.9**	**0.2**	26.6	0.4
Total	**14,358.8**	**100**	7,340.5	100

The Group recorded consolidated revenue for the year ended 31 December 2012 of HK$14,358.8 million, representing a growth of 95.6% as compared with HK$7,340.5 million for the year ended 31 December 2011. The substantial growth of the consolidated revenue in 2012 was mainly driven by the strong increase in the sales of the Group's 3G and 4G Coolpad smartphone as a result of the continued vibrant development of 3G mobile market in Mainland China and the 4G mobile market in America during the year under review.

The revenue from 3G Coolpad smartphone increased by 80.4% to HK$13,097.7 million for the year ended 31 December 2012 as compared with HK$7,258.6 million for year ended 31 December 2011. 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 demand of the 3G smartphone during the year. 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 year. Therefore, the sales of 3G Coolpad smartphone have already become the Group's main revenue stream. Meanwhile, the Group started to launch the 4G FDD-LTE smartphones, which were exported to the American market.

Revenue from the sale of other products increased by HK$4.3 million, or 16.2%, to HK$30.9 million for the year ended 31 December 2012 as compared with HK$26.6 million for the year ended 31 December 2011. The increase in the revenue from the sale of other products during the year under review was mainly attributable to an increase in the sales of Coolpad smartphones' accessories and others.

GROSS PROFIT

	Year Ended 31 December			
	2012		2011	
Gross profit	**Gross profit** *HK$ million*	**Gross profit margin** *(%)*	Gross profit *HK$ million*	Gross profit margin *(%)*
Total	**1,719.8**	**12.0**	1,081.4	14.7

The Group's overall gross profit for the year ended 31 December 2012 increased to HK$1,719.8 million, representing an increase of 59.0% as compared with HK$1,081.4 million for the year ended 31 December 2011. The Group's overall gross profit margin for the year ended 31 December 2012 dropped to 12.0%, down 2.7% as compared with 14.7% for the year ended 31 December 2011. The decline in gross profit margin was primarily attributable to the severe competition in the overall smartphone market.

OTHER INCOME AND GAINS

Other income and gains of the Group amounted to approximately HK$320.9 million for the year ended 31 December 2012, representing an increase of 0.3% as compared with HK$319.8 million for the year ended 31 December 2011. This increase was mainly attributable to the increase of the Group's bank interest income, rental income and government grant and subsidies in 2012.

SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December	
	2012	2011
Selling and distribution expenses *(HK$ million)*	**869.7**	466.3
Selling and distribution expenses/Revenue *(%)*	**6.1**	6.4

Selling and distribution expenses of the Group for the year ended 31 December 2012 increased to HK$869.7 million, representing an increase of approximately HK$403.4 million, or 86.5%, as compared with HK$466.3 million for the year ended 31 December 2011. The net increase of HK$403.4 million was primarily generated from increased expenditures for marketing, advertising and promotion expenses, and increased salaries of employed salesmen to support product promotion. As a percentage of total revenue, selling and distribution expenses decreased remarkably to 6.1% in 2012 from 6.4% in 2011. The net decrease of 0.3% as a percentage of total revenue primarily reflected that the Group has benefited from the economies of scale as sales volume increased.

ADMINISTRATIVE EXPENSE

	Year ended 31 December	
	2012	2011
Administrative expenses *(HK$ million)*	**673.7**	558.7
Administrative expenses/Revenue *(%)*	**4.7**	7.6

Administrative expenses increased by 20.6% to HK$673.7 million for the year ended 31 December 2012 from HK$558.7 million for the year ended 31 December 2011. The net increase of HK$115.0 million was primarily generated from increased expenditures on R&D, and increased salaries of employed staff. As a percentage of total revenue, it dropped by 2.9% during the year under review as compared with 7.6% in the year of 2011, reflecting that the Group executed tight control over the administrative expenses.

INCOME TAX EXPENSE

For the year ended 31 December 2012, the Group's income tax expense amounted to HK$93.9 million (2011: HK$53.2 million). The increase in the current year income tax expense was mainly attributable to the increase of the Group's profit before tax.

NET PROFIT

For the year ended 31 December 2012, the Group recorded a net profit of HK$324.3 million, representing an increase of HK$53.2 million, or 19.6%, as compared with HK$271.1 million for the year ended 31 December 2011. The increase in net profit was mainly because of the increase of the sales revenue in 2012.

LIQUIDITY AND FINANCIAL RESOURCE

For the year ended 31 December 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.

Cash and cash equivalents of the Group as of 31 December 2012 amounted to HK$1,273.5 million (2011: HK$1,058.9 million).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2012, the following assets of the Group were used to secure certain bank borrowings of the Group: (i) investment properties of approximately HK$106.8 million (2011: HK$104.4 million); and (ii) time deposits of approximately HK$133.8 million (2011: HK$325.2 million). As at 31 December 2012, the Group's certain time deposits were also used to secure bills payable, details of which are set out in note 13 to this announcement.

BUSINESS REVIEW AND OUTLOOK

Highlights for 2012

In the year of 2012, more and more mobile users switched to buy the third-generation (3G) network smartphones in Mainland China, since the telecommunications carriers effectively promoted the 3G business, and the 3G smartphones were becoming more affordable than before. The Group grasped the opportunities of the expansion of the smartphone market, depending on its enriched 3G smartphones mix, the more innovative technologies and the better user experience of these products. The Group got a fruitful year in 2012, achieved a new record of the scale increase, and the reputation of the Group's brand Coolpad became more famous worldwide. According to the report from a third-party market survey firm, the market share of Coolpad smartphones in the whole 3G smartphone market of Mainland China ranked No.4 in the year of 2012, which strengthened the leadership as one of the top smartphone vendors in China.

For the year ended 31 December 2012, the Group had a turnover of approximately HK$14,358.8 million, which increased 95.6% from HK$7,340.5 million in 2011. The fast increase was mostly due to the Group's focus on the mid-end and low-end smartphone market and was largely ascribed to the solid 3G business increase in Mainland China. The net profit of 2012 was approximately HK$324.3 million, which increased by 19.6% from HK$271.1 million in 2011. Gross profit margin for the year 2012 was 12.0%, which dropped by 2.7% from 14.7% in 2011. The drop of gross profit margin was because the competition in the mid-end and low-end smartphone market in Mainland China got intensified in 2012. Basic and diluted earnings per share of the Company reached HK15.39 cents and HK15.12 cents, respectively for the year ended 31 December 2012. The Directors proposed a final dividend of HK3 cents per share for the full year of 2012.

Events

In February 2012, the Group officially attended the Mobile World Congress 2012 held in Barcelona, Spain. Six Coolpad flagship smartphones were demonstrated in this exhibition. In September 2012, the Group attended the 21st PT/EXPO COMM CHINA held in Beijing, and unveiled three new Coolpad Android smartphones. Those events promoted the Coolpad brand to be of higher reputation in the global smartphone market.

Product Development

In the year of 2012, the Group launched a full range of Coolpad smartphones from high-end to mid-end and low-end ones, offering the users a better quality and better radio performance. As one of the few mobile phone vendors who are able to offer any mode of wireless network smartphones worldwide, the Group successfully rolled out the products covering 3G and the fourth-generation (4G) network smartphones to the market. For EVDO-based smartphones, the Group launched 18 new models. For TD-SCDMA-based smartphones, the Group launched 17 new models. For WCDMA-based smartphones, the Group launched 13 new models. The Group also launched a model of 4G FDD-LTE in the American market during 2012. These new models significantly contributed to the strong revenue and market share growth for the year of 2012. Coolpad brand has been widely recognized as one of the Chinese top smartphone brands by its consumers and business partners primarily due to its strong and enriched product mix.

Strategic Progress

Strengthening the R&D capability remained the focus of the Group, which brought the Group the absolute advantages while competing with its rivals in the smartphone market. Through differentiating the functions and features of the Android operating system, and providing the special Coollife UI4.1 user interface on the new models, the Coolpad smartphones became more competitive and more attractive. The Group also quickly upgraded Android operating system version to the latest one (Jelly Bean), running with the famous Coolpad DNA, such as the dual-mode, dual-standby technology combining two disparate radio technologies, private model guaranteeing the security of the users' private data, Chinese-language handwriting recognition software letting the users input more conveniently. The Coolcloud platform was also upgraded into the latest Coolcloud 3.0 version, which made the data synchronization work of smartphones faster and more effectively, when the users switched to the new Coolpad smartphones. Apart from the synchronization function, Coolpad users could also use the anti-theft, anti-virus, anti-pug etc. security features by Coolcloud to protect the data from being leaked out.

As the high technologies developed fast especially in the hardware segment, such as more effective chipsets, the camera module, and the touch screen technology, the Group responded quickly and rolled out the new models based on the best hardware platforms. In respect of mobile hardware design, the Group collaborated with several 3G mobile chipset providers and some famous mobile industry designers to launch the popular affordable smartphones. In the year of 2012, the Group launched 9 new Dual-core 3G smartphones and 2 new Quad-core 3G smartphones to satisfy the needs of the customers. The Group continued to cooperate with the tier-one chipset suppliers to roll out the FDD-LTE 4G smartphones. Through great build quality, larger screens, solid radio performance and increased responsiveness, the users could enjoy the exciting smartphone experience and the fast speed of the mobile internet while using Coolpad smartphones. Depending on the strong R&D capabilities and the close collaboration with the components suppliers, the Group shortened the go-to-market time of the new models, and speeded up the smartphone upgrade cycle.

As a local brand in Mainland China, the Group knows the demands of the local customers deeply, and could design the excellent software to satisfy the local customers. In the year of 2012, the Group closely collaborated with the local telecommunications carriers to launch the most popular customized models covering EVDO, TD-SCDMA, and WCDMA networks. The Group not only sold the smartphones through the carriers' channel, but also forged relationship with e-commerce partners to pave the way for a new chapter of development in sales through e-commerce channels. Meanwhile, the Group endeavored to export the Coolpad smartphones to overseas market to improve the brand recognition in the global smartphone market. Except for the existing exploited market in India and Taiwan, the Group also successfully penetrated into the American market by the 4G smartphones in 2012. The affordable Coolpad 4G smartphones made more and more American users enjoy the 4G high-speed network, and were sold well in the American market.

In the year of 2012, the Group also focused on the improvement of general operation efficiency. The Group took a series of measures to improve its administrative efficiency and internal operating process during the reporting period. These measures did a great favor to the success of the Group, even though under the intensifying competition and hard pressure during the year. The product quality and the production cost controls were also assured, depending on the improvements of the infrastructure for the product testing and assembly.

Our Outlook for 2013

As the 3G smartphone market in Mainland China is booming in the year of 2013, the Group will continue to increase the shipments volume and capture more market share by the wonderful user experience of Coolpad smartphones. The Group will continuously put more efforts on the innovative technologies, keep close pace with the growth of domestic 3G mobile phone market in the coming future, expand wider overseas markets, and prepare well for the coming 4G market including both the TD-LTE and the FDD-LTE smartphones.

The year of 2013 is the 20th anniversary of the Group. Depending on the innovative notions, the strong R&D capabilities, and the successful transfer of the business, the Group has developed fast since its inception. The innovative technologies and the R&D will still be major aspects to invest. The Group will continue to develop and optimize its standard software and hardware development platform through close cooperation with the industry leading suppliers so as to introduce more feature-rich, ease-to-use Coolpad products and services. As the new technologies in the smartphone field develop fast, and the R&D capability of the Group becomes stronger, the Group will accelerate the product's developing period of the new models for sharing the latest technologies with its users. The Group will continue to grow and strengthen the depth of cooperation with the telecommunications carriers in the field of R&D on next generation network, such as 4G technology of TD-LTE and FDD-LTE, then make sure that Coolpad will be in the tier-1 brands once the carriers start to run the 4G network business, especially for the domestic carriers.

User experience of the smartphone is the key factor to win in this intensifying competitive market. The Group will do its best to build and improve the user experience of Coolpad smartphones, through optimizing interaction industry design (ID), the internal system, the functions and Coollife UI. To satisfy the user demands, more dual-mode dual-standby Coolpad new models will be launched in 2013. The Group will also launch more affordable Dual-core, Quad-core smartphones with higher hardware specifications in the massive market. Since the Group entered into the American 4G smartphone market, the series of the 4G new models based on the FDD-LTE will be strengthened in the year of 2013, and the Group will also prepare well for the TD-LTE products. Meanwhile, the Coolcloud platform will be upgraded much faster, integrated with more useful features, and provide a diverse array of contents and services to the customers, as more and more Coolpad users begin to enroll this platform. The Group will also strengthen the cooperation with the internet companies in terms of the flourish wireless internet age and the change of the user habit surfing the internet.

The Group will continue to execute the global market strategy, while strengthening its hold of the market share in the domestic market. After the Group transferred into the massive smartphone market, the Coolpad brand shared a higher reputation and brand recognition among the users. The Group will continue to achieve measurable progress in expanding its existing markets. The Group is also going to deepen its penetration into the new overseas markets, and cooperate with more telecommunications carriers for the Coolpad brand becoming more attractive and the solid quality of the Coolpad smartphones, in order to expand the overseas market and its customer base. The Group will build more Coolpad image shops and 3G specialized outlets in the main municipal cities of China.

In the year of 2013, the Group will continue to streamline operations, optimize cost structures, enhance risk management, and develop a powerful IT support for its fast growing business. Meanwhile, the Group will continue to optimize the management of products' quality to equip its smartphones with stronger competitive strengths.

Looking forward, the Group will continue to leverage innovation and expertise to satisfy diverse consumer needs, enhance core competitive strengths and position in the rapidly evolving global smartphone industry. The smartphone market growth attracts more business attention, and more competitors try to make money from this fast growing segment and expand the scale of their shipments, so the competition will still be fierce. Even though the environment of the smartphone market will be volatile, the Group will endeavor to keep the average selling price and gross profit margin stable, depending on the famous brand reputation and the diverse affordable product portfolio from high-end to mid-end and low-end smartphones. Through the innovative technologies, the hard-working philosophy, the quick-responded capabilities to the market demands, and the differentiated product positioning, we also see the risk of the increasing competition in the smartphone market, the Group should work hard to achieve the new record high and stable the gross profit margin in 2013.

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 has not entered into any derivative contracts to hedge against the risk for the year of 2012.

EMPLOYEES AND REMUNERATION POLICY

During the year ended 31 December 2012, the Group's staff costs (including directors' remuneration) amounted to approximately HK$686.2 million (2011: HK$535.8 million). The remuneration of the Group's employees was commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis.

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

During the year under review, the Company repurchased a total of 71,792,000 shares at prices from HK$1.13 to HK$1.63 per share on The Stock Exchange of Hong Kong Limited, all of the purchased shares were subsequently cancelled by the Company upon repurchase and the issued share capital of the Company was reduced by the par value thereon.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK3.0 cents per ordinary share in respect of 2012, to shareholders whose names appear on the register of members of the Company on 31 May 2013. The proposed dividend will be paid on or about 14 June 2013 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, which will be held on Thursday, 23 May 2013. For the purpose of determining shareholders' entitlement to attend and vote at the said annual general meeting, the register of members of the Company will be closed from 20 May 2013 to 23 May 2013 (both days inclusive), during which no transfer of shares will be effected. In order to be eligible to attend and vote at the said annual general meeting, 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 p.m. on 16 May 2013.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 29 May 2013 to 31 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, 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 p.m. on 28 May 2013. The final dividend will be paid on or about 14 June 2013 to the shareholders whose names appear on the register of members at the close of business on 31 May 2013. As the final dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 31 December 2012.

AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Company, which currently comprises four independent non-executive directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2012.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Guo Deying is the chairman of the Board and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management and believes that this structure enables the Group to make and implement decision promptly and efficiently. In addition, the Board is of the view that, in view of the current scale of operations of the Group, the separation of the roles of the chairman and chief executive officer of the Company may hinder administrative efficiency and is neither suitable to the Group nor in the interests of its shareholders as a whole.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the year ended 31 December 2012, in compliance with the Code of Corporate Governance Practices as was set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 23 May 2013. Notice of the annual general meeting together with the Company's annual report for the year ended 31 December 2012 will be dispatched to the shareholders in due course.

By order of the Board
China Wireless Technologies Limited
GUO DEYING
Chairman and Chief Executive Officer

Hong Kong, 20 March 2013

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