CHINA WIRELESS TECHNOLOGIES LIMITED
中國無線科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2369)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013	2012	**Year-on-year change**
	HK$'000	*HK$'000*	*(%)*
	(Unaudited)	(Unaudited)	
Revenue	**9,631,723**	6,217,957	+54.9%
Profit before tax	**259,612**	178,142	+45.7%
Tax	**46,838**	26,081	+79.6%
Net profit attributable to owners of the Company	**212,844**	152,518	+39.6%
Basic earnings per share	**10.10 cents**	7.10 cents	+42.3%
Diluted earnings per share	**9.94 cents**	7.02 cents	+41.6%
Proposed interim dividend per ordinary share	**2.00 cents**	–	+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 2013 together with comparative figures for the corresponding period of 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**9,631,723**	6,217,957
Cost of sales		**(8,377,862)**	(5,474,001)
Gross profit		**1,253,861**	743,956
Other income and gains	*4*	**108,073**	89,390
Selling and distribution expenses		**(473,165)**	(254,418)
Administrative expenses		**(607,665)**	(371,671)
Other expenses		**(6,129)**	(4,941)
Finance costs	*6*	**(14,861)**	(24,491)
Share of profit/(loss) of associates		**(30)**	317
Share of loss of a joint venture		**(472)**	–
PROFIT BEFORE TAX	*5*	**259,612**	178,142
Income tax expense	*7*	**(46,838)**	(26,081)
PROFIT FOR THE PERIOD		**212,774**	152,061
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**6,010**	(7,395)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**6,010**	(7,395)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**218,784**	144,666

	Notes	Six months ended 30 June **2013** ***HK$'000*** **(Unaudited)**	 2012 *HK$'000* (Unaudited)
PROFIT FOR THE PERIOD			
Attributable to:			
Owners of the Company		**212,844**	152,518
Non-controlling interests		**(70)**	(457)
		212,774	152,061
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Attributable to:			
Owners of the Company		**218,854**	145,123
Non-controlling interests		**(70)**	(457)
		218,784	144,666
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**10.10 cents**	7.10 cents
Diluted		**9.94 cents**	7.02 cents

Details of the dividends proposed for the period are disclosed in note 8 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**588,734**	536,973
Investment properties		**311,240**	309,690
Prepaid land lease payments		**123,004**	125,405
Intangible assets		**162,752**	160,858
Investments in a joint venture		**5,872**	6,533
Investments in associates		**71,591**	52,787
Available-for-sale investments		**24,652**	24,426
Other non-current assets		**17,127**	23,755
Deferred tax assets		**1,582**	3,946
Total non-current assets		**1,306,554**	1,244,373
CURRENT ASSETS			
Inventories		**1,604,606**	1,811,233
Trade receivables	*10*	**1,820,671**	2,183,160
Bills receivable	*11*	**407,785**	233,055
Prepayments, deposits and other receivables		**805,685**	648,445
Pledged time deposits		**625,128**	709,595
Cash and cash equivalents		**2,032,934**	1,273,540
Total current assets		**7,296,809**	6,859,028
CURRENT LIABILITIES			
Trade payables	*12*	**1,993,018**	1,742,283
Bills payable	*13*	**2,252,150**	2,080,461
Other payables and accruals		**1,392,401**	1,170,201
Interest-bearing bank borrowings		**251,082**	535,950
Due to an associate		**2,749**	7,518
Tax payable		**32,412**	55,356
Total current liabilities		**5,923,812**	5,591,769
NET CURRENT ASSETS		**1,372,997**	1,267,259
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,679,551**	2,511,632

	Notes	**30 June 2013** **HK$'000** **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**–**	23,635
Deferred tax liabilities		**63,652**	62,154
Other non-current liabilities		**10,812**	12,856
Total non-current liabilities		**74,464**	98,645
Net assets		**2,605,087**	2,412,987
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**21,058**	20,944
Shares held for the Share Award Plan		**(240)**	(240)
Reserves		**2,581,092**	2,326,200
Proposed final dividend		**–**	62,836
		2,601,910	2,409,740
Non-controlling interests		**3,177**	3,247
Total equity		**2,605,087**	2,412,987

NOTES TO THE 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 2013 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 2012.

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 2012 except for the first time adoption of the following new and revised standards and interpretations:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of amendments to HKAS 1 and amendments to HKAS 34, the adoption of the new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements.

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKAS 34 amendment clarifies the requirements in the standard relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements of HKFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the CODM. As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. Details of these disclosures have been included in note 3.

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 9	*Financial Instruments*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Impairment of Assets[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 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 and a joint venture 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, an investment in a joint venture 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*
Six months ended 30 June 2013 (Unaudited)			
Segment revenue:			
Sales to external customers	**9,631,723**	**–**	**9,631,723**
Other revenue and gains	**67,626**	**14,743**	**82,369**
Total	**9,699,349**	**14,743**	**9,714,092**
Segment results	**239,149**	**13,802**	**252,951**
Reconciliation:			
Interest income			**25,704**
Finance costs			**(14,861)**
Share of loss of associates and a joint venture			**(502)**
Corporate and other unallocated expenses			**(3,680)**
Profit before tax			**259,612**
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 an associate			317
Corporate and other unallocated expenses			(4,941)
Profit before tax			178,142
Segment assets			
At 30 June 2013 (Unaudited)	**6,157,229**	**325,308**	**6,482,537**
At 31 December 2012 (Audited)	5,708,816	323,758	6,032,574
Segment liabilities			
At 30 June 2013 (Unaudited)	**5,503,140**	**6,482**	**5,509,622**
At 31 December 2012 (Audited)	4,997,921	7,880	5,005,801

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:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of mobile phones	**9,631,723**	6,217,957
Other income		
Bank interest income	**25,704**	16,765
Gross rental income	**14,743**	15,289
Government grants and subsidies*	**49,613**	43,479
Others	**18,013**	13,857
	108,073	89,390
	9,739,796	6,307,347

* 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:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**8,309,152**	5,458,792
Depreciation	**22,048**	18,361
Amortisation of patents and licences*	**12,031**	5,126
Amortisation of prepaid land lease payments	**1,253**	921
Research and development costs:		
Product development costs amortised*	**23,102**	13,401
Current year expenditure*	**180,243**	122,386
	203,345	135,787
Operating lease rental	**15,024**	10,362
Loss on disposal of items of property, plant and equipment	**1,043**	246
Impairment of trade receivables	**2,301**	–
Provision for inventories	**68,710**	15,209

* 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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**14,861**	24,491

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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Group:		
Current	**46,712**	26,010
Deferred	**126**	71
Total tax charge for the year	**46,838**	26,081

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend at HK$0.02 per share (2012: Nil)	**42,115**	–

On 20 August 2013, the Directors resolved to declare interim dividend of HK$0.02 per share in respect of the six months ended 30 June 2013 to its shareholders (six months ended 30 June 2012: Nil).

As the interim dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 30 June 2013.

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$212,844,000 (six months ended 30 June 2012: HK$152,518,000), and the weighted average number of ordinary shares of 2,107,855,688 in issue during the six months ended 30 June 2013 (six months ended 30 June 2012: 2,147,042,505).

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$212,844,000. The weighted average number of ordinary shares used in the calculation is the number of 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 33,374,345 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	
	2013	2012
	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	**212,844**	152,518

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,107,855,688**	2,147,042,505
Effect of dilution – weighted average number of ordinary shares: share options	**33,374,345**	25,262,308
	2,141,230,033	2,172,304,813

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 reporting period, based on the invoice date, is as follows:

	30 June	31 December
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,804,495**	2,155,200
4 to 6 months	**1,911**	6,143
7 to 12 months	**2,712**	1,866
Over 1 year	**16,155**	23,817
	1,825,273	2,187,026
Less: Impairment	**(4,602)**	(3,866)
	1,820,671	2,183,160

11. BILLS RECEIVABLE

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**407,785**	233,055

12. 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 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,901,387**	1,680,626
4 to 6 months	**84,425**	56,220
7 to 12 months	**6,557**	5,233
Over 1 year	**649**	204
	1,993,018	1,742,283

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:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**2,252,150**	2,080,461

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			
	2013		2012	
Revenues	**Revenue** *HK$ million* **(Unaudited)**	**% of total revenue**	Revenue *HK$ million* (Unaudited)	% of total revenue
3G Coolpad smartphone	**9,305.7**	**96.6%**	6,184.2	99.5%
4G Coolpad smartphone	**293.1**	**3.0%**	–	–
Other products	**32.9**	**0.4%**	33.8	0.5%
Total	**9,631.7**	**100%**	6,218.0	100%

The Group's unaudited revenue for the six months ended 30 June 2013 amounted to HK$9,631.7 million, representing a remarkable growth of 54.9% as compared with HK$6,218.0 million for the six months ended 30 June 2012. The significant increase in revenue during the reporting period was driven by the strong increase in the sales volume of 3G Coolpad smartphone, as a result of the continuous vibrant development of 3G mobile subscribers, and the increasing market share of Coolpad smartphone in Mainland China during the first half of 2013.

The revenue from the sale of 3G Coolpad smartphone increased by 50.5% to HK$9,305.7 million for the six months ended 30 June 2013 as compared with HK$6,184.2 million for the corresponding period in 2012. Revenue contribution from this segment dropped from 99.5% in the first half of 2012 to 96.6% in the first half of 2013. The decline in revenue of 3G Coolpad smartphone was primarily attributable to the increase in 4G smartphone business during the reporting period. The Group's product lines have covered all range of 3G networks, including TD-SCDMA, CDMA-2000 as well as WCDMA network. Meanwhile, the 4G smartphones started to be launched in the overseas market in the second half of 2012. The revenue of 4G Coolpad smartphone was HK$293.1 million for the six months ended 30 June 2013, which accounted for 3.0% of total revenue.

The revenue from other products was primarily generated from the sales of Coolpad smartphone's accessories. The revenue from other products decreased by HK$0.9 million, or 2.7%, to HK$32.9 million for the six months ended 30 June 2013 as compared with HK$33.8 million for the corresponding period in 2012.

GROSS PROFIT

	Six months ended 30 June			
	2013		2012	
Gross profit	**Gross profit** ***HK$ million*** **(Unaudited)**	**Gross profit margin**	Gross profit *HK$ million* (Unaudited)	Gross profit margin
Total	**1,253.9**	**13.0%**	744.0	12.0%

The Group's overall gross profit for the six months ended 30 June 2013 increased to HK$1,253.9 million, representing an increase of 68.5% as compared with HK$744.0 million for the corresponding period in 2012. Its overall gross profit margin increased to 13.0% in the reporting period, up 1.0% as compared with 12.0% in the corresponding period of 2012. The increase in gross profit margin was primarily attributable to the economy of scale and the effective cost control during the reporting period.

OTHER INCOME AND GAINS

Other income and gains of the Group increased by HK$18.7 million, or 20.9%, to HK$108.1 million for the six months ended 30 June 2013 as compared with HK$89.4 million for the corresponding period in 2012. This increase of HK$18.7 million was primarily generated from the increase of the Group's bank interest income, governmental and other subsidies.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2013 **(Unaudited)**	2012 (Unaudited)
Selling and distribution expenses *(HK$ million)*	**473.2**	254.4
As a percentage of total revenue	**4.9%**	4.1%

Selling and distribution expenses of the Group for the six months ended 30 June 2013 increased by HK$218.8 million to HK$473.2 million from HK$254.4 million for the corresponding period in 2012. The net increase of HK$218.8 million was primarily attributable to increased expenditures for marketing, advertising and promotion expenses to support new product launches and new markets expansion. As a percentage of total revenue, selling and distribution costs increased to 4.9% in the first half of 2013 as compared with 4.1% in the corresponding period of 2012. The net increase of 0.8% as a percentage of total revenue was because of the overseas markets expansion and the increased spendings on marketing the new products during the reporting period.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Administrative expenses *(HK$ million)*	**607.7**	371.7
As a percentage of total revenue	**6.3%**	6.0%

Administrative expenses increased by HK$236.0 million to HK$607.7 million for the six months ended 30 June 2013 from HK$371.7 million for the corresponding period in 2012. The net increase of HK$236.0 million was primarily attributable to the increased R&D expenditures and salaries of our employees. As a percentage of total revenue, administrative expenses increased by 0.3% to 6.3% in the first half of 2013 as compared with 6.0% in the corresponding period of 2012. The net increase of 0.3% as a percentage of total revenue primarily was because of the continuous business expansion and increased R&D spendings during the reporting period.

INCOME TAX EXPENSE

For the six months ended 30 June 2013, the Group's income tax expenses increased to HK$46.8 million, representing an increase of HK$20.7 million as compared with HK$26.1 million for the corresponding period in 2012. The increase in the current income tax expense was primarily due to the increase of the Group's profit before tax during the reporting period.

NET PROFIT

Net profit of the Group amounted to HK$212.8 million, or basic earnings per share of HK10.10 cents and diluted earnings per share of HK9.94 cents, for the six months ended 30 June 2013 as compared with net profit of HK$152.1 million, or basic earnings per share of HK7.10 cents and diluted earnings per share of HK7.02 cents, for the six months ended 30 June 2012. The increase in net profit by HK$60.7 million in the first half of 2013 reflected primarily an increase in the gross profit, which was partially offset by an increase in the Group's selling and distribution expenses, administrative expenses and income tax expense.

LIQUIDITY, FINANCIAL RESOURCE AND CAPITAL STRUCTURE

For the six months ended 30 June 2013, 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 59.7% (31 December 2012: 64.0%). The decrease was mainly attributable to the increase of capital as a result of increased revenue and net profit during the reporting 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 2013 amounted to HK$2,032.9 million, while it was HK$1,273.5 million as at 31 December 2012.

As at 30 June 2013, the Company had 2,105,757,000 ordinary shares of par value HK$0.01 each in issue.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

INVENTORY

For the current period, the Group's inventory turnover period was 36.7 days (year ended 31 December 2012: 49.6 days).

TRADE RECEIVABLES

Credit period was one to three months on average and the trade receivable turnover period was 37.4 days for the current period (year ended 31 December 2012: 47.1 days).

TRADE PAYABLES

The trade payable turnover period was 40.2 days for the current period (year ended 31 December 2012: 44.4 days).

PLEDGE OF ASSETS

As at 30 June 2013, certain bank borrowings of the Group were secured by time deposits of approximately HK$159.8 million (31 December 2012: HK$133.8 million). As at 30 June 2013, the Group's time deposits of approximately HK$465.3 million were also used to secure bills payable (31 December 2012: HK$575.8 million).

BUSINESS REVIEW

Benefiting from the 3G network popularization and the demand of the vast 3G smartphone market in Mainland China, the sales scale and the revenue of the Group kept increasing, and achieved a new record for the six months ended 30 June 2013. Operating revenue of the Group for the six months ended 30 June 2013 reached HK$9,631.7 million, increased by HK$3,413.7 million or 54.9% compared with that of the corresponding period of 2012. Meanwhile, the net profit increased by HK$60.7 million, or 39.9%, to HK$212.8 million for the six months ended 30 June 2013, compared with that of the corresponding period of 2012. The basic and diluted earnings per share for the six months ended 30 June 2013 increased to HK10.10 cents and HK9.94 cents from HK7.10 cents and HK7.02 cents of the corresponding period of last year respectively.

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 policies for users to purchase or replace the 3G smartphones. As a result, the net-add 3G new users continued to hold a strong momentum of increase during the reporting period, and the 3G penetration rate became higher than before. Because of the expansion of the strong market demands and a series of richer, and more competitive full line of products during the reporting period, the Group achieved higher 3G smartphone market share in Mainland China, and the brand recognition of the Group's Coolpad was improved substantially during the reporting period, through vigorously exploring the sales channel and market space, and aggressively enlarging the sales scale.

The Group deeply researched and developed on the code-opened smartphone operating system Android platform, and retained the advantages of the traditional smart Coolpad DNA (the individual applications such as dual-mode dual-working, private model, better handwriting identification, three-steps contacts search). Except the traditional smart Coolpad DNA, the Group continued to optimize the Coolcloud platform, which has brought Coolpad users better user experience of the smartphones. Nowadays, the mobile internet developed fast, and the innovative technologies and applications based on the mobile internet changed a lot, being restructuring the current information environment. The mobile internet brought the information period to a new stage character, called PMCC, which represents Personal, Mobile, Cloud, and Computer. In the PMCC period, the Group strengthened the cloud strategy based on the Coolpad smartphones. So Coolpad users could connect their personal data between smartphones and cloud platform via Coolcloud safely and conveniently.

The Group accelerated the R&D cycle and the rhythm of time-to-market of the new models, due to the advantage of leading technology, and the mature Android differentiated platform containing the smart Coolpad DNA. In the first half of 2013, the Group launched 31 new models, which were deeply adored by customers for their high quality and reasonable price, so they were sold well in domestic market and some of them were also exported to the overseas markets. These new models are equipped with larger screen, higher resolution rate, faster computing speed, and other higher specifications. In respect of mobile hardware design, the Group collaborated with several 3G mobile chipset providers and the related core components suppliers to launch these popular affordable smartphones.

As a local brand in Mainland China, the Group knows the demands of the local customers deeply, and could design the excellent new models with better user experience to satisfy more users. In first half of 2013, the Group closely collaborated with the local telecommunications carriers to launch some of the most popular customized models covering CDMA 2000, TD-SCDMA, and WCDMA networks respectively. The Group also put Coolpad shopping mall online (http://shop.coolpad.cn/) successfully in the first half of 2013 to pave the way for a new chapter of development in sales through e-commerce channels. Meanwhile, the Group endeavoured to expand the overseas market of Coolpad smartphones to enlarge the shipments volume and improve the brand recognition in the global smartphone market. After collaborating with the telecommunications carriers in America and India, the Group successfully started the smartphones business in the Europe market in the first half of 2013, thanks to the solid quality of Coolpad smartphones and the wonderful user experience of those products.

In the first half of 2013, the Group focused on delicacy management in order to improve general operation efficiency and control the overall cost. Delicacy management is a necessary process to the Group while the competition of the 3G smartphone market is fierce at the moment. In terms of delicacy management, a series of measures were taken by the Group 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 in the 3G smartphone massive market. The product quality and the production cost controls were also assured, depending on the delicacy management and the improvements of the infrastructure for the product testing and assembly.

BUSINESS OUTLOOK

As the popularization of the 3G smartphone is not mature enough yet, with the high brand recognition of the Coolpad in Mainland China, the Group will continue to enlarge the sales scale, improve the market share further, and strengthen the leadership of the local 3G smartphone market. 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 one of the smartphone leading brands in the world with the core competitiveness in the near future.

The R&D capability 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 insist on pursuing the technology innovation, concentrate on improving the user experience of the new Coolpad products, and apply more patents mainly in software, hardware, and the wireless telecommunication network etc. The Android smartphone carrying on the Coolpad traditional smart DNA and other differentiated features, will make Coolpad brand more competitive, while the Android system is one of the most popular in the market at present. During the PMCC period, the Coolcloud platform, based on the cloud-computing cloud-storage technology, will be poured into more practical, securable functions, individual features, and becomes another sword of the Group in the future. The useful functions, such as Coolweather, Coolcloud, Coolnav, Coolcloud Waterfall Flow, will bring more convenient life style to the Coolpad users. While cooperating with telecommunications carriers deeply for the customized 3G models, the Group will also prepare for smartphones based on the next generation (TDD-LTE, FDD-LTE technology) network, and develop the near field payment smartphone based on the China standard. As for the LTE, 4G network technology will be the next major development direction of the telecommunications carriers, along with the strong market promotion on the smartphones, the Group will tightly grasp the historic chance brought by the LTE, 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 economy of scale of the shipments volume. On the hardware point, the Group will communicate with the components suppliers deeply, and launch more wonderful products with higher hardware specifications. Meanwhile, the Group will lessen components cost due to the economy of the scale, 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 the latest Android version, and test other smartphone operating systems, in order to build the multi-platforms of the Coolpad products.

The Group will launch much richer new 3G models based on the three kinds of network standards (CDMA-EVDO, TD-SCDMA, WCDMA), and more dual-mode dual-working smartphone with different styles. In those new models to be launched, the user interface (Coollife UI) will be more user-friendly, industry design 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 next generation flagship series, which will be equipped with higher specifications of the chipset, more user-friendly and convenient user interaction. In the other series of the new products, the overall hardware specifications, the software service, and the industry design will be launched with more promotion and more surprise. Especially, the Group plans to launch more 4G new models based on FDD-LTE to cover the overseas market, and prepares well for the coming 4G market in Mainland China, which states a new milestone of the Group on the R&D capability and the global market expansion.

In the year of 2013, the Group will keep focusing on the customized smartphone market for the telecommunications carriers, 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 tier-one and the tier-two 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 keep expanding the overseas markets to increase the shipments volume and improve the brand awareness of Coolpad in the global smartphone market.

Looking ahead, even though the competition for the present 3G smartphone mass market is still intense, the Group believes that the scale increase of the Group will get some achievement, depending on the well-known brand recognition, the strong R&D innovative capability, the high quality of the client base, and the good relationship with the suppliers. 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. So the gross profit margin and average selling price ("ASP") will continuously be influenced by those factors. But the Group will execute strict cost control, optimize the internal processes, improve 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 reach a better profitability in the year of 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 had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2013.

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. 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 2013 amounted to approximately HK$327.7 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.

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

During the reporting period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved to recommend the payment of an interim dividend of HK2.0 cents per ordinary share in respect of the first half of 2013, to shareholders whose names appear on the register of members of the Company on 23 September 2013. The proposed dividend will be paid on or about 16 October 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed interim dividend, the register of members of the Company will be closed from 18 September 2013 to 23 September 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed interim 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 17 September 2013. The interim dividend will be paid on or about 16 October 2013 to the shareholders whose names appear on the register of members at the close of business on 23 September 2013. As the interim dividend is declared after the end of the reporting period, such dividend is not recognised as a liability as at 30 June 2013.

COMPLIANCE WITH THE MODEL CODE

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 its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all the Directors, that they have fully complied with the required standard as set out in the Model Code for the period under review.

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 interim results for the six months ended 30 June 2013.

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 six months ended 30 June 2013, 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.

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

Hong Kong, 20 August 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.