



INTERIM REPORT 2007



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

CONTENTS

Corporate Information	2
Financial Highlights	3
Management Discussion & Analysis	4
Consolidated Income Statement	16
Consolidated Balance Sheet	17
Consolidated Summary Statement of Changes in Equity	19
Consolidated Cash Flow Statement	20
Balance Sheet	21
Notes to Financial Statements	22

CORPORATE INFORMATION

Registered office

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Cayman Islands

Head office and principal place of business in the PRC

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Che Gongmiao
Shenzhen
The People's Republic of China

Principal place of business in Hong Kong

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Wanchai
Hong Kong

Website address

www.chinawireless.cn
<http://www.irasia.com/listco/hk/chinawireless/>

Company secretary and qualified accountant

Mr. JIANG Chao, ACCA

Audit committee

Mr. CHAN King Chung (*Chairperson*)
Dr. HUANG Dazhan
Mr. XIE Weixin
Mr. Yang Xianzu

Authorized representatives

Mr. GUO Deying
Mr. JIANG Chao

Independent auditor

Ernst & Young
Certified Public Accountants

Legal advisers to the Company

As to Hong Kong law
Dibb Lupton Alsop
As to Cayman Islands law
Conyers Dill & Pearman

Principal share registrar and transfer office

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong branch share registrar and transfer office

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited

Stock Code

2369

FINANCIAL HIGHLIGHTS

- Approximately 290,000 Coolpad subscriber accounts were added in the first half of 2007. As at 30 June 2007, the number of Coolpad subscriber accounts increased to approximately 650,000.
- Achieved turnover of HK\$753.8 million, representing an increase of 73.6% over the same period of the previous year.
- Gross margin was 36.1%, representing a slight decrease of 0.4% over the corresponding period in 2006.
- Achieved net profit of HK\$124.6 million, representing an increase of 100.0% over the corresponding period in 2006.
- Net margin was 16.5%, representing an increase of 2.2% over the corresponding period in 2006.
- Basic earnings per share for the six months ended 30 June 2007 reached HK\$0.124, representing an increase of 98%. Diluted earnings per share for the six months ended 30 June 2007 was HK\$0.122.
- The Directors resolved to declare an interim dividend for the six months ended 30 June 2007 of HK\$0.01 per share and recommend a bonus issue on the basis of 1 bonus share for every 1 ordinary share with a par value of HK0.01 each to shareholders whose names appear on the register of members on 8 October 2007 (subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting).

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2007, the Group accomplished a turnover of HK\$753.8 million, representing an increase of HK\$319.5 million, or a growth of 73.6% over that of the same period of 2006.

A comparative breakdown of the significant revenue streams is set forth in the following table:

	2007 HK\$'000	% of turnover	2006 HK\$'000	% of turnover
Wireless system solutions	3,866	1%	5,363	1%
Smartphone				
CDMA-GSM Dual-mode smartphone	586,668	78%	372,052	86%
GSM-GSM Dual-mode smartphone	93,633	12%	—	—
CDMA single-mode smartphone	69,597	9%	56,892	13%
Subtotal	749,898	99%	428,944	99%
Total	753,764		434,307	

In terms of revenue mix, during the period under review, approximately 21,000 units of GSM-GSM dual-mode smartphone were sold to GSM Network distributors since the new product was launched in June 2007. The turnover from GSM-GSM dual-mode smartphone was over HK\$90 million, accounting for 12% of the Group's turnover.

In the reporting period, the Group sold approximately 290,000 units of smartphone, among which the CDMA-GSM dual-mode smartphone, GSM-GSM dual-mode smartphone and CDMA smartphone accounted for approximately 77.3%, 7.2% and 15.5%, respectively.

Gross profit

The Group's gross profit increased by 71.6% to HK\$272.1 million for the six months ended 30 June 2007, compared with HK\$158.6 million in the previous corresponding period. The gross profit margin slightly decreased by 0.4% to 36.1% in the first half of 2007. The slight decrease of gross profit margin is due primarily to more medium-end smartphones introduced to the market in the reporting period.

Selling and distribution costs

Selling and marketing expenses increased by 117% from HK\$30.4 million for the six months ended 30 June 2006 to HK\$65.9 million of the corresponding period in the first half of 2007. The significant increase is primarily attributable to higher selling and marketing expenses to enhance the "Coolpad" brand recognition. The ratio for selling and distribution costs over turnover increased by 1.7% from 7% for the six months ended 30 June 2006 to 8.7% over the corresponding period in 2007.

Administrative expenses

Administrative expenses increased by 42.8% from HK\$59.4 million for the six months ended 30 June 2006 to HK\$84.8 million of the corresponding period in 2007, representing 11.2% of total turnover, compared to 13.7% of total turnover in the corresponding period of 2006. The Group's growth in operation has improved the administrative efficiency of the Group, the ratio of administrative expenses over total turnover is decreasing as a result.

Income tax expense

For the six months ended 30 June 2007, the Group's profit tax charge is nil, compared with HK\$11 million in the same period in 2006. According to the Income Tax Law of the PRC for Foreign Investment Enterprise and Foreign Enterprises and as approved by relevant tax authorities, the income tax rate applicable to the Group was 15% for the six months ended 30 June 2007, the same as for the corresponding period in 2006.

Net profit

For the six months ended 30 June 2007, the Group recorded a net profit of HK\$124.6 million, an increase of 100.0% when compared with the same period in 2006. The net profit margin increased from 14.3% in the first six months of 2006 to 16.5% in the first six months of 2007. The increase is attributable to the Group's improved administrative and scale efficiency.

Liquidity and financial resources

For the six months ended 30 June 2007, the Group's operating capital was mainly generated from cash from its daily operation and bank borrowings.

As at 30 June 2007, the Group had cash and bank balances of HK\$147.2 million, as compared with HK\$128.3 million as at 31 December 2006.

As at 30 June 2007, the Group's total assets amounted to HK\$1,127.9 million, compared with HK\$1,022.7 million as in 2006, whereas the Group's total liabilities was HK\$559.8 million when compared with HK\$591.0 million in 2006.

As at 30 June 2007, the Group had a gearing ratio of 49.6% (based on total debt over total assets) compared with 57.8% as in 2006, and a current ratio of 2.1 (based on current assets over current liabilities) compared with 1.7 as in 2006.

Contingent liabilities

As at June 30, 2007, the Group did not have any significant contingent liabilities.

Pledge of assets

As at 30 June 2007, approximately HK\$20,394,000 of the Group's bank deposits were pledged to secure general bank borrowings compared with HK\$44,813,000 as at 30 June 2006.

BUSINESS ACTIVITIES

As one of the leading wireless system solutions providers and smartphone manufacturers in the PRC, the Group designs, develops and sells innovative products and personalized wireless solutions to satisfy demands of different clients and different industries in the worldwide mobile communications market.

The Group's Coolpad dual-mode smartphone accommodates two SIM cards that can be online simultaneously. In addition, Coolpad dual-mode smartphone combines two mobile phones and one personal information manager (PIM) into one device. It supports contact, calendar, tasks and memo functions which can be synchronized with the user's desktop PIM system. Users can also browse the internet with the smartphone.

In the reporting period, the Group successfully developed six new models of smartphone with propriety operating system, including one GSM-GSM model, three CDMA-GSM models, one CDMA model and one TD-SCDMA-GSM model. In the first half of 2007, the CDMA-GSM model was still the most popular model.

During the reporting period, the Group also introduced a campaign to broaden its client base both domestically and internationally whereby the Group marketed its Coolpad smartphone to new clients. The Group achieved outstanding performance by supplying approximately 290,000 units of smartphone as a result. In June 2007, the Coolpad 8260 GSM-GSM dual-mode smartphone was marketed to GSM Network distributors. Being the first ever GSM-GSM dual-mode smartphone purchased by GSM Network distributors in China, over 20,000 units of Coolpad 8260 were sold to GSM Network distributors in June 2007.

The Coolpad brand awareness continued to grow in China during the reporting period. The Group and its business partners invested in a broad range of marketing initiatives to help strengthen the “Coolpad” brand recognition. Besides retail points of China Unicom Limited, the Coolpad smartphones were also available at the retail points of GSM Network distributors.

In the reporting period, the Group actively cooperated with various international famous enterprises. The Group has been one of biggest developers specializing in windows CE operating system and become the most important global partners with Microsoft in the operating system platform field in recent years. The Group’s and Microsoft’s engineers frequently get together to discuss technologies issues and explore cooperation opportunities. Besides close cooperation with Microsoft in the software field, the Group has also been cooperating with Qualcomm in the chipset field. Through several cooperations, the Group’s research and development capability is highly recognized by Qualcomm. Qualcomm has entrusted the Group to develop and improve its up-to-date CDMA chipset. The Group is the first Chinese enterprise to be entrusted by Qualcomm to develop and improve its up-to-date chipset. Qualcomm’s up-to-date chipset developed by the Group integrates the functions of the base band modern, wireless transceiver and power supply management on a single chipset. Such functions required four chipsets to perform before the improvement. This helps reduce the size of parts and circuit board substantially to support smaller terminal equipment, effectively lower the material cost for manufacturing mobile phones and hence enable more flexible designs for mobile phones. Moreover, since the single chipset consumes less power than the

traditional chipsets, the batteries used by the single chipset mobile phones can last twice as long as before to more than six days, giving greater convenience to mobile phone users.

OUTLOOK

The Group is optimistic about its prospect to welcome the second half of 2007. In the second half of 2007, the Group will further cooperate with telecom operators and develop two to three new custom made GSM-GSM dual-mode smartphone models. The Group believes that the revenue to be generated from the sale of GSM-GSM dual-mode smartphone will have a significant positive impact on the Group's results of operation in the second half of 2007 and beyond.

China's evolution into 3G is expected to be largely based on the TD-SCDMA standard. Mobile operators in China are expected to commence commercial deployment of TD-SCDMA in 2007. The Chinese government has already initiated and subsidized several rounds of testing of the TD-SCDMA network. Currently, testing cities have expanded to 10 cities and the 3G network is being built. Being one of the most important TD-SCDMA-GSM dual-mode smartphone developers, the Group believes that it is possible to receive orders of TD-SCDMA 3G mobile phones in the second half of 2007. This will further broaden the Group's source of revenue in 2008.

The Group will further improve its research and development platform and solutions. Through the integrated and standards-based development platform, more and more third-party software can be applied in the Coolpad smartphone. With the gradual improvement of the research and development platform, more and more competitive Coolpad terminals and solutions will be introduced to the market. As a strategy, the Group will continue to focus on high end products to maintain its competitive advantage. The Group will recruit additional experienced and qualified engineers and cooperate with other famous enterprises to enhance its research and development capability.

Currently, the Group's revenue is primarily derived from the sales of Coolpad smartphones. In order to broaden its source of revenue, the Group has invested in a new business venture. In July 2007, the Group cooperated with Shenzhen Devin Technology Co., Ltd. and Shenzhen Securities Information Co., Ltd. to establish Shenzhen Tendbloom Information Technologies Co., Ltd. (the "Joint Venture Company"). The Joint Venture Company will develop software that allows transmission of information on the stock market to handsets developed by the Group. As the Joint Venture Company will charge the end users a data service charge when the service is rolled out, the Group will be able to broaden its source of revenue through its investment in the Joint Venture Company.

Although the Coolpad brand has been one of the most popular smartphone brands in CDMA and dual-mode smartphone market, the Group will further strength its brand awareness through advertising and promotion, image shops and expanding its distribution channel.

FOREIGN EXCHANGE EXPOSURE

During the reporting period, the Group's expenses, assets and liabilities were mainly denominated in Renminbi. Taking into account the Group's operation and capital needs, the Directors consider that the Group did not have any significant foreign exchange exposure.

EMPLOYEES AND REMUNERATION POLICY

During the reporting period, the staff cost amounted to HK\$51.7 million. The remuneration of the Group's employees were commensurate with their responsibilities and market rates, with discretionary bonuses and training given on a merit basis.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 30 June 2007.

MATERIAL ACQUISITION AND DISPOSALS DURING THE YEAR

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme by a written resolution of all shareholders of the Company on 21 November 2004 (the "Share Option Scheme"). Details of options granted under the Share Option Scheme are disclosed in Note 19 to the Financial Statement below.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

As at 30 June 2007, the interests and short positions of the directors of the Company (collectively, the “Directors” and individually, a “Director”), chief executive or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) (the “Model Code”), were as follows:

Long positions in shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest						Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Family interest	Beneficiary of a trust	Founder of a discretionary trust	
Mr. Guo Deying	1 & 2	—	415,585,624	15,832,000	—	—	415,585,624	42.79
Ms. Yang Xiao	1 & 2	—	415,585,624	—	15,832,000	—	415,585,624	42.79
Mr. Jiang Chao	3	728,000	—	—	—	15,832,000	—	1.64

Long positions in shares of an associated corporation:

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

Notes:

- The entire issued share capital of Data Dreamland Holding Limited (“Data Dreamland”) is held by Barrie Bay Limited (“Barrie Bay”), which is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust, of which 9,999 units are held by HSBC International Trustee Limited (“HSBC Trustee”) acting as the trustee of the Barrie Bay Unit Trust and the remaining 1 unit is held by Ms. Yang Hua. The Barrie Bay Unit Trust is a discretionary trust set up by Mr. Guo Deying (“Mr. Guo”), an executive Director, and his spouse, Ms. Yang Xiao (“Ms. Yang”), a non-executive Director, the beneficiary objects of which include the minor children of Mr. Guo and Ms. Yang. Each of Mr. Guo and Ms. Yang is taken to be interested in the 415,585,624 shares held by Data Dreamland as each of them is a settlor of the Barrie Bay Unit Trust and by virtue of the interests of their children under the Barrie Bay Unit Trust. The long position of each of Mr. Guo and Ms. Yang under the column “Through spouse or minor children” and the column “Founder of a discretionary trust” in the table headed “Long positions in shares of the Company” above refer to the same 415,585,624 shares.

Each of Mr. Guo and Ms. Yang is taken to be interested in the entire issued share capital of Data Dreamland as each of them is a settlor of the Barrie Bay Unit Trust and by virtue of the interests of their children under the Barrie Bay Unit Trust. The long position of each of Mr. Guo and Ms. Yang in the column “Through spouse or minor children” and the column “Founder of a discretionary trust” under the table headed “Long positions in shares of an associated corporation” above refer to the same 1,000 shares.

- Mr. Guo is taken to be interested in the 15,832,000 shares held by Wintech Consultants Limited as he is interested in the entire issued share capital of Wintech Consultants Limited. As the spouse of Mr. Guo, Ms. Yang is taken to be interested in the 15,832,000 shares held by Mr. Guo through Wintech Consultants Limited.

3. Mr. Jiang Chao, an executive Director, is taken to be interested in the 15,832,000 shares held by Wintech Consultants Limited as he is one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group in addition to 728,000 shares held by Mr. Jiang Chao as beneficial owner.

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

As at 30 June 2007, save as disclosed above, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company:

Name	Notes	Number of shares in which interested	Number of shares interested under equity derivatives	Nature of interest	Total number of shares	Percentage of the Company's issued share capital
Data Dreamland Holding Limited	1	415,585,624	—	Beneficial owner	415,585,624	41.22
Barrie Bay Limited	2	415,585,624	—	Interest of a controlled corporation	415,585,624	41.22
HSBC International Trustee Limited	2	415,585,624	—	Trustee	415,585,624	41.22

Notes:

- The entire issued share capital of Data Dreamland is held by Barrie Bay. Barrie Bay is acting as the trustee of the Barrie Bay Unit Trust. The Barrie Bay Unit Trust is a unit trust of which 9,999 units are held by HSBC Trustee, which is acting as the trustee of the Barrie Bay Unit Trust and the remaining 1 unit is held by Ms. Yang. The Barrie Bay Unit Trust is a discretionary trust set up by Mr. Guo and Ms. Yang and the discretionary objects of which include the minor children of Mr. Guo and Ms. Yang.
- The 415,585,624 shares are held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee.

Save as disclosed above, as at 30 June 2007, so far as the Directors are aware, there are no other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

Code Provision A.2.1 of the Code of Corporate Governance Practices as was set out in Appendix 14 of the Listing Rules (the “Code”) stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Mr. Guo Deying is the chairman of the Board and the Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management and believes that this structure enables the Group to make and implement decisions promptly and efficiently.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the six months ended 30 June 2007, in compliance with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by Directors. Based on specific enquiry of the Directors, the Directors had complied with the required standard set out in the Model Code, throughout the accounting period under review.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), comprising the four independent non-executive Directors, namely Mr. Chan King Chung (the Chairman), Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Yang Xianzu, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Group’s unaudited financial statements for the six months ended 30 June 2007 have been reviewed by the members of the Audit Committee, who are of the opinion that such statements comply with applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made therein.

CONSOLIDATED INCOME STATEMENT

The Board is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007, together with the unaudited comparative figures for the same period of 2006. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Audit Committee.

	Notes	The six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
REVENUE	4	753,764	434,307
Cost of sales		(481,631)	(275,754)
Gross profit		272,133	158,553
Other income and gains	4	8,109	6,996
Selling and distribution costs		(65,877)	(30,362)
Administrative expenses		(84,775)	(59,369)
Other expenses		(303)	(175)
Finance costs	6	(4,649)	(2,370)
PROFIT BEFORE TAX	5	124,638	73,273
Tax	8	—	(10,988)
PROFIT FOR THE YEAR		124,638	62,285
DIVIDENDS	9	10,084	4,982
Proposed Interim dividend		10,084	4,982
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	10		
Basic		12.41 cents	6.26 cents (Restated)
Diluted		12.23 cents	6.19 cents (Restated)

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		162,899	134,934
Prepaid land lease payments		12,101	11,597
Intangible assets		17,306	22,055
Total non-current assets		192,306	168,586
CURRENT ASSETS			
Inventories	12	267,354	248,306
Trade receivables	13	219,612	168,047
Prepayments, deposits and other receivables	14	301,355	308,891
Due from directors		106	591
Pledged deposits		20,394	44,813
Cash and cash equivalents		126,822	83,439
Total current assets		935,643	854,087
CURRENT LIABILITIES			
Trade payables	16	145,178	61,089
Notes payable	17	19,843	85,963
Other payables and accruals		177,192	189,096
Interest-bearing bank and other borrowings		101,501	137,451
Due to a related company	15, 22	57	110
Due to directors		—	17
Tax payable		9,845	14,344
Total current liabilities		453,616	488,070
NET CURRENT ASSETS		482,027	366,017
TOTAL ASSETS LESS CURRENT LIABILITIES		674,333	534,603

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		102,627	99,532
Deferred tax liabilities		3,513	3,407
Total non-current liabilities		106,140	102,939
Net assets		568,193	431,664
EQUITY			
Equity attributable to equity holders of the parent company			
Issued capital	18	10,084	4,986
Reserves		548,025	411,721
Proposed final dividend		—	14,957
Proposed interim dividend	9	10,084	—
Total equity		568,193	431,664

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	The six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
TOTAL EQUITY		
Balance at beginning of year	431,664	313,696
Profit for the year	124,638	62,285
Dividends paid	(15,126)	(9,964)
Bonus shares	5,042	—
Issue of shares, including share premium	2,871	56,337
Share issue expenses	—	(2,768)
Share option reserve	2,607	244
Exchange fluctuation reserve	16,497	4,269
Balance at end of the period	568,193	424,099

CONSOLIDATED CASH FLOW STATEMENT

The six months ended 30 June

	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	103,220	(115,467)
Net cash outflow from investing activities	(2,433)	(43,540)
Net cash inflow/(outflow) from financing activities	(59,924)	82,476
Net increase/(decrease) in cash and bank balances	40,863	(76,531)
Cash and bank balances at beginning of period	83,439	109,606
Effects of foreign exchange rate changes, net	2,520	(838)
Cash and bank balances at end of the period	126,822	32,237

BALANCE SHEET

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Interests in subsidiaries	11	44,991	44,991
Intangible assets		4,279	5,057
Total non-current assets		49,270	50,048
CURRENT ASSETS			
Due from subsidiaries		174,380	173,709
Deposits and other receivables		74	11
Pledged deposits		5,000	5,000
Cash and cash equivalents		7,709	2,255
Total current assets		187,163	180,975
CURRENT LIABILITIES			
Bills payable		2,902	5,121
Other payables and accruals		7,498	85
Interest-bearing bank and other borrowings		10,163	6,069
Due to Directors		1,390	1,390
Total current liabilities		21,953	12,665
NET CURRENT ASSETS			
Net assets		214,480	218,310
EQUITY			
Issued capital		10,084	4,986
Reserves		194,312	198,415
Proposed final dividend		—	14,957
Proposed interim dividend	9	10,084	—
Total equity		214,480	218,358

NOTES TO FINANCIAL STATEMENTS

I. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of the Listing Rules, Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to facilitate an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for the full financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The interim financial results report for the six months ended 30 June 2007 were unaudited, but they have been reviewed by the Audit Committee.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the interim financial statements. Except for in certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 7	Financial Instruments Disclosures
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRS, which have been issued but are not yet effective, in these financial statements.

HKAS 23 (Amendment)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 23 Amendment shall be applied for accounting period beginning on or after 1 January 2009. The revised standard will affect the accounting policy adopted for borrowing costs, the amount of borrowing costs capitalized and the capitalization rate used to determine the amount of borrowing costs.

HKFRS 8 shall be applied for accounting period beginning on or after 1 January 2009. The standard requires to disclosure information that enables users of the financial statements to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which the Group operates.

HK(IFRIC)-Int 12 shall be applied for accounting periods beginning on or after 1 January 2008.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group expects that the adoption of the pronouncements above will have no impact on the Group's financial statements in the periods of initial application.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China. The Group's operations are principally located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments in the market of Mainland China. Summary details of the business segments are as follows:

- (a) the wireless system solutions segment enables network operators to extend and enhance the transmission quality of their telecommunication networks and support their telecommunication services with management functions and user interface that can provide value-added services to subscribers; and
- (b) the smartphone segment consists of the provision of dual-mode and single-mode smartphones which integrated the functions of a mobile phone and wireless data applications like e-mail and other industry specific applications.

3. SEGMENT INFORMATION (Continued)

	The six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Segment revenue		
Wireless system solutions	3,866	5,364
smartphones	749,898	428,943
Consolidated revenue	753,764	434,307
Segment net profit		
Wireless system solutions	839	1,165
smartphones	156,630	91,648
	157,469	92,813
Unallocated corporate expenses	(28,182)	(17,170)
Finance costs, net	(4,649)	(2,370)
Profit before tax	124,638	73,273
Tax	—	(10,988)
Profit for the year	124,638	62,285

4. REVENUE OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods during the six months ended 30 June 2007, after allowances for returns and trade discounts and net of sales tax and value-added tax. All significant intra-group transactions have been eliminated on consolidation.

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

	The six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Revenue		
Sale of wireless system solutions and smartphones	753,764	434,307
Other income and gains		
Rental income		
Bank interest income	795	962
Government grants and subsidies*	7,309	3,070
Maintenance income	—	2,658
Sundry income	5	306
	8,109	6,996
	761,873	441,303

* The amount represented value added tax ("VAT") refund from a tax bureau.

5. PROFIT BEFORE TAX

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

	The six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Cost of inventories sold	481,631	275,754
Depreciation	3,176	1,392
Amortisation of patents and licences*	4,265	3,066
Recognition of prepaid land lease payments	141	—
Research and development costs		
Product development costs	1,497	1,476
Current year expenditure	46,032	38,199
	47,529	39,675
Operating lease rental	697	52
Loss on disposal of items of property, plant and equipment	1	174
Staff costs (including directors' and senior executives' emoluments):		
Salaries and wages	44,996	18,858
Staff welfare expenses	1,642	580
Pension scheme contributions	2,419	1,081
Equity-settled share option expense	2,607	277
Total staff costs	51,664	20,796
Rental income	—	—
Bank interest income	(795)	(962)

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

6. FINANCE COSTS

	The six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Interest expense on:		
Bank loans repayable in full within one year	4,649	2,370
	4,649	2,370

7. DIRECTORS' REMUNERATION

Directors' remuneration for the period, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, is as follows:

	The six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Fees:	171	436
Other emoluments executive Directors:		
Salaries, allowances and benefits in kind	1,128	426
Pension scheme contributions	2	2
	1,130	428
	1,301	864

7. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive Directors

The fees should be paid to non-executive Directors during the six months ended 30 June were as follows:

	2007 HK\$'000	2006 HK\$'000
Mr. Xie Weixin	—	—
Dr. Huang Dazhan	60	60
Mr. Chan King Chung	50	50
Mr. Yang Xianzu	61	10
	171	120

There were no other emoluments payable to the independent non-executive Directors during the reporting period.

(b) Executive Directors and non-executive Directors

Six months ended 30 June 2007	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive Directors:					
Mr. Guo Deying	—	567	—	—	567
Mr. Jiang Chao	—	303	—	2	305
Non-executive Directors:					
Ms. Ma Dehui	—	—	—	—	—
Ms. Yang Xiao	—	258	—	—	258
	—	1,128	—	2	1,130

7. DIRECTORS' REMUNERATION (Continued)

(b) Executive Directors and non-executive Directors (Continued)

Six months ended 30 June 2006	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Executive Directors:					
Mr. Guo Deying	—	305	—	—	305
Mr. Jiang Chao	—	61	—	2	63
Non-executive Directors:					
Ms. Ma Dehui	—	—	—	—	—
Ms. Yang Xiao	—	60	—	—	60
	—	426	—	2	428

8. TAX

No provision for Hong Kong profits tax has been made (2006: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the reporting period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	The six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Current year provision		
Hong Kong	—	—
Mainland China	—	10,988
Total tax charge for the year	—	10,988

8. TAX (Continued)

According to the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises and as approved by relevant tax authorities, Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. (“Shenzhen Yulong”), a wholly-owned subsidiary of the Company operating in Mainland China, which is qualified as a high-technology enterprise and operates in Shenzhen, was exempted from corporate income tax of the PRC for the two years starting from its first profitable year of operations and was entitled to a 50% relief from the corporate income tax of the PRC for the following six years. The first profitable year of operations of Shenzhen Yulong was 1996. An income tax rate of 15% was applied for the year ended 30 June 2007. No provision for taxation has been made as Shenzhen Yulong suffered a loss for the year.

Coolpad Software Tech (Shenzhen) Co., Ltd. (“Coolpad Software”) was set up on 7 March 2006 and commenced operations in September 2006. Coolpad Software also enjoyed an exemption from corporation income tax for the two years starting from its first profitable year of operations and was entitled to a 50% relief from the corporate income tax of the PRC for the following three years. Since the tax holiday of Coolpad Software commenced in 2006, no provision for income tax was needed in current year.

Dongguan Yulong Computer Telecommunication Scientific Co., Ltd. was set up on 3 November 2006. The company has no revenue.

8. TAX (Continued)

	The six months ended 30 June	
	2007 HK\$'000 Unaudited	2006 HK\$'000 Unaudited
Profit before tax	124,638	76,305
Tax at the applicable tax rate (2007: 15%, 2006: 15%)	18,696	11,446
Expenses not deductible for tax	—	—
Income not subject to tax	—	(458)
Tax exemption/relief	(29,333)	—
Tax loss not recognised	10,637	—
Tax charge at the Group's effective rate (June 2007: Nil, June 2006: 14.4%)	—	10,988

9. DIVIDENDS

The proposed declaration of an interim dividend of HK\$0.01 per share and issue of one bonus share for every one ordinary share at par value of HK\$0.01 each held by the shareholders on the record date i.e. 8 October 2007 (subject to approval of the Company's shareholders at the forthcoming extraordinary general meeting) for the six months ended 30 June 2007. The register of members of the Company will be closed from 3 October 2007 to 8 October 2007 (both dates inclusive) for the purpose of the proposed declaration of interim dividend and bonus issue of shares.

Holders of shares whose name appears on the register of members of the Company as at the close of business of 2 October 2007 will be entitled to attend and vote at the extraordinary general meeting and the proposed interim dividend and bonus issue of shares (subject to approval of the Company's shareholders at the forthcoming extraordinary general meeting).

9. DIVIDENDS (Continued)

In order to qualify for the proposed interim dividend and bonus issue of shares or to ascertain the right to attend the forthcoming extraordinary general meeting, all transfers of shares, duly accompanied by the relevant share certificates, and the appropriate transfer forms must be lodged for registration with the Company's share register in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 2 October 2007. The last day in Hong Kong of dealings in the Company's shares with entitlement to interim dividend and bonus issue of shares will be on Thursday, 27 September 2007. Shares of the Company will be traded ex-dividend as from Friday, 28 September 2007.

It is expected that upon obtaining shareholders' approval, the proposed interim dividend and bonus shares will be paid on or before 29 October 2007.

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

The calculation of basic earnings per Share is based on the net profit for the six months ended 30 June 2007 attributable to ordinary equity holders of the parent Company of HK\$124,638,000, and the weighted average number of ordinary shares in issue during the six months ended 30 June 2007 of 1,004,395,934, as adjusted to reflect the bonus issue of shares during the period.

The calculation of diluted earnings per Share is based on the net profit for the six months ended 30 June 2007 attributable to ordinary equity holders of the parent company of HK\$124,638,000. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period of 1,004,395,934, as used in the basic earnings per share calculation and the weighted average number of ordinary shares of 15,097,691 assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY (Continued)

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

	The six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Earnings		
Net profit attributable to ordinary equity holders of the parent company, used in the basic earnings per share calculation:	124,638	62,285
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,004,395,934	994,713,701 (Restated)
Effect of dilution-Weighted average number of ordinary shares:		
Share options	15,097,691	10,956,991
	1,019,493,625	1,005,670,692 (Restated)

Because of the bonus shares issued to shareholders in 2007, the comparative figure of per share calculation in 2006 is restated.

11. INTERESTS IN SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	44,991	44,991

The amounts due from subsidiaries are approximate to their fair values.

The amounts due from subsidiaries included in the Company's current assets of HK\$174,380,000 (2006: HK\$173,709,000), are unsecured, interest-free and are repayable on demand or within one year.

11. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yulong Infotech Inc.	BVI/Mainland China	Ordinary US\$50,000	100	—	Investment holding
Digital Tech Inc.	BVI/Mainland China	Ordinary US\$10	100	—	Investment holding
Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.	PRC/Mainland China	Paid-up RMB240,600,000 Registered RMB403,000,000	—	100	Developing, manufacturing and operating wireless equipment, handheld communication terminals and mobile data business system
Coolpad Software Tech (Shenzhen) Co., Ltd.	PRC/Mainland China	Paid-up RMB1,541,700 Registered HK\$10,000,000	—	100	Research and development and sale of mobile telecommunication, computer and multimedia technologies
Dongguan Yulong Computer Telecommunication Scientific Co., Ltd.	PRC/Mainland China	Paid-up RMB18,059,403 Registered RMB120,000,000	—	100	Research, development and design of handheld communication terminals and related technologies on telecommunication service platform

12. INVENTORIES

	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
Raw materials	155,835	79,983
Work in progress	51,453	147,035
Finished goods	60,066	21,288
	267,354	248,306

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of three months and a longer credit term of four to six months may be extended to customers with long term business relationship and good repayment history. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, was as follows:

	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
Within 3 months	199,815	154,148
4 to 6 months	12,892	8,799
7 to 12 months	4,952	1,739
1 to 2 years	5,459	6,670
More than 2 years	2,426	2,411
	225,544	173,767
Provision	(5,897)	(5,720)
Exchange realignment	(35)	—
	219,612	168,047

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
Prepayments	227,517	243,512
Deposits and other receivables	73,838	65,379
	301,355	308,891

The balance of prepayments mainly represented prepayments to suppliers for the purchase of raw materials.

15. DUE TO A RELATED COMPANY

The balance due to a related company mainly represented a rental charge payable for warehouse facilities, which is unsecured, interest-free and has no fixed terms of repayment.

16. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, was as follows:

	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
Within 3 months	140,465	56,788
4 to 6 months	1,586	2,069
7 to 12 months	660	552
More than 1 year	2,467	1,680
	145,178	61,089

17. NOTES PAYABLE

The age of the Group's notes payable as at the balance sheet date, based on the invoice date, was within three months.

18. SHARE CAPITAL

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Authorised:		
2,000,000,000 (2006:1,000,000,000) ordinary share of HK\$0.01 each	20,000	10,000
Issued and fully paid:		
1,008,384,000 (2006:498,560,000) ordinary shares of HK\$0.01 each	10,084	4,986

During the six months ended 30 June 2007, the movements in issued share capital were as follows:

- (a) The subscription rights attached to 2,544,000 share options were exercised at the subscription price of HK\$0.87 per share (note 19), resulting in the issue of 2,544,000 share of HK\$0.87 each for a total cash consideration, before expenses, of HK\$2,213,280.
- (b) The subscription rights attached to 3,088,000 share options were exercised at the subscription price of HK\$1.846 per share (note 19), resulting in the issue of 3,088,000 share of HK\$1.846 each for a total cash consideration, before expenses, of HK\$5,700,448.
- (c) 504,192,000 share were issued for ordinary share at par value of HK\$0.01 each held by the existing shareholders, which were approved by Company's shareholders at the annual general meeting of the Company held on 26 May 2007.

19. SHARE OPTION SCHEME

Movements of the share options granted during the six months ended 30 June 2007 were as follows:

Name or category of participant	Number of share options			Price of Company's share							
	At 1 January 2007	Exercised during six months ended 30 June 2007	Adjusted upon completion of bonus issue in 30 June 2007	Forfeited during six months ended 30 June 2007	Exercise period of share options	Original exercise price before completion of bonus issue in June 2007 HK\$ per share	Adjusted exercise price after completion of bonus issue in June 2007 HK\$ per share	Immediately before the exercise date HK\$ per share	At exercise date of options HK\$ per share		
Employees											
In aggregate-granted on 6 June 2005	16,000,000	—	16,000,000	—	32,000,000	7-06-05 to 6-06-08	0.7	0.35	0.7	—	—
In aggregate-granted on 20 June 2005	5,440,000	2,544,000	2,896,000	—	5,792,000	28-06-05 to 27-06-09	0.87	0.435	0.87	2.44	2.61
In aggregate-granted on 27 July 2006	13,552,000	3,088,000	10,464,000	—	20,928,000	27-07-06 to 26-07-10	1.846	0.923	1.83	3.95	4.24
In aggregate-granted on 27 July 2006	1,200,000	—	1,200,000	—	2,400,000	27-07-06 to 26-07-11	1.846	0.923	1.83	—	—
	36,192,000	5,632,000	30,560,000	—	61,120,000						

20. OPERATING LEASE ARRANGEMENTS

The Group leases its warehouse premises and office building premises under operating lease arrangements for lease terms ranging from one to five years. The total future minimum lease payments under non-cancellable operating leases committed at the respective balance sheet dates to be made by the Group were as follows:

	30 June 2007 HK\$'000 Unaudited	31 December 2006 HK\$'000 Audited
Within one year	3,296	3,269
In the second to fifth years, inclusive	9,168	11,060
	12,464	14,329

21. CONTINGENT LIABILITIES

As at the balance sheet date, the company had no significant contingent liabilities.

22. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) During the six months, Shenzhen Yulong used the warehouse facilities of Shenzhen Space Star Network Company Limited (“Space Star”), at an annual charge of HK\$112,830. The rental charge was made according to the market rates.
- (b) Outstanding balance with a related party:

As disclosed in the consolidated balance sheet and in note 15, the Group had an outstanding payable to Space Star of HK\$57,000 (2006: HK\$110,000). The payable is unsecured, interest-free and has no fixed terms of repayment.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank and other borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group’s operations.

The Group had other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It was, and had been, throughout the six months ended 30 June 2007, the Group’s policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group’s financial instruments are foreign currency risk and credit risk. The Board reviews and agrees on policies for managing these risks and they are summarised below.

Foreign currency risk

As the Group’s investment operations are located in Mainland China, the Group’s balance sheet can be affected significantly by movements in the HK\$/RMB exchange rates. Since the exchange rates did not fluctuate significantly in prior years, the Group did not seek to hedge this risk exposure.

The Group has no transactional currency exposure as all sales and purchases are denominated in RMB, the functional currency of Shenzhen Yulong, which is the sales making unit of the Group.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 August 2007.