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)

2007 FINAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

Achieved a turnover of HK$1,277.7 million, representing an increase of 99.4% over the year ended 31 December 2006.

Attained a profit attributable to shareholders of HK$167.5 million, representing an increase of 212.0% over the year ended 31 December 2006.

Recorded gross profit of HK$521.3 million, representing an increase of 117.2% as compared with 2006.

Net profit margin was 13.1%, representing an increase of 4.7% over the corresponding period in 2006.

Basic earnings per share were HK$8.33 cents, representing an increase of 208.5% over the same period of the previous year.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2007.

The board (the "Board") of directors (the "Directors") of China Wireless Technologies Limited (the "Company") is pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2007, together with the audited comparative figures for the same period of 2006.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
REVENUE	**1,277,663**	640,855
Cost of sales	**(756,350)**	(400,859)
Gross profit	**521,313**	239,996
Other income	**64,499**	17,336
Selling and distribution costs	**(213,548)**	(86,372)
Administrative expenses	**(192,481)**	(106,830)
Other expenses	**(709)**	(991)
Finance costs	**(11,585)**	(9,455)
Share of profit from an associate	**31**	—
PROFIT BEFORE TAX	**167,520**	53,684
Tax	**—**	—
PROFIT FOR THE YEAR	**167,520**	53,684
DIVIDENDS		
Difference between the proposed final 2006 dividend and the actual dividend paid	**169**	—
Interim	**10,115**	4,982
Proposed final	**—**	14,957
	10,284	19,939
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic	**8.33 cents**	2.70 cents
Diluted	**7.98 cents**	2.63 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	2007	2006
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**345,680**	134,934
Investment properties	**28,917**	—
Prepaid land lease payments	**12,155**	11,597
Intangible assets	**36,665**	22,055
Interest in an associate	**8,583**	—
Total non-current assets	**432,000**	168,586
CURRENT ASSETS		
Inventories	**288,686**	248,306
Trade receivables	**168,692**	168,047
Bills receivable	**40,080**	—
Prepayments, deposits and other receivables	**194,131**	308,891
Due from directors	**134**	591
Pledged time deposits	**29,204**	44,813
Cash and cash equivalents	**91,222**	83,439
Total current assets	**812,149**	854,087
CURRENT LIABILITIES		
Trade payables	**87,879**	61,089
Bills payable	**36,431**	85,963
Other payables and accruals	**157,355**	189,096
Interest-bearing bank and other borrowings	**187,601**	137,451
Due to a related company	**—**	110
Due to a director	**—**	17
Due to an associate	**7,386**	—
Tax payable	**15,064**	14,344
Total current liabilities	**491,716**	488,070
NET CURRENT ASSETS	**320,433**	366,017
TOTAL ASSETS LESS CURRENT LIABILITIES	**752,433**	534,603

	2007	2006
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**79,091**	99,532
Deferred tax liabilities	**11,992**	3,407
Total non-current liabilities	**91,083**	102,939
Net assets	**661,350**	431,664
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**20,230**	4,986
Reserves	**641,120**	411,721
Proposed final dividend	**—**	14,957
Total equity	**661,350**	431,664

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

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

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.1 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 current year's 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.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HK FRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements — Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group can not identify specially some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to directors and employees of the Group in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK (IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK (IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognized in a previous interim period in respect of an investment in either an equity instrument classified as available for sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
Amendments to HKFRS2	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combination[5]
HKFRS 8	Operating Segments[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

HKAS 1 (Revised) sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content application. It affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKFRS2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity of the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operation segments, based on information about the components of the entity that is available for the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. It must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed.

HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements.

HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

3. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods, 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 and other income is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Sale of smartphones and other products	**1,277,663**	640,855
Other income		
Bank interest income	**1,773**	1,811
Government grants and subsidies*	**60,870**	14,426
Sundry income	**1,856**	1,099
	64,499	17,336
	1,342,162	658,191

* The amount mainly represented a value-added tax ("VAT") refund from a tax bureau and government grants to support the Group in research and development.

4. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**756,350**	400,859
Depreciation	**10,438**	4,830
Amortisation of patents and licences*	**9,433**	7,242
Recognition of prepaid land lease payments	**298**	255
Research and development costs:		
Product development costs amortised*	**3,224**	3,234
Current year expenditure	**21,903**	8,946
	25,127	12,180
Operating lease rental	**4,472**	1,616
Provision for trade receivables	**5,367**	2,337
Loss on disposal of items of property, plant and equipment	**1**	943
Auditors' remuneration	**2,052**	1,637
Staff costs (including directors' and senior executives' emoluments):		
Salaries and wages	**122,522**	60,962
Staff welfare expenses	**4,344**	1,736
Pension scheme contributions	**13,392**	3,062
Equity-settled share option expense	**7,007**	4,736
Total staff costs	**147,265**	70,496
Product warranty provision	**24,961**	3,961
Foreign exchange differences, net	**172**	78
Bank interest income	**(1,773)**	(1,811)

* The amortisation of patents and licences and product development costs for the year is included in "Administrative expenses" on the face of the consolidated income statement.

5. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within one year	**9,169**	6,056
Bank loans wholly repayable within five years	**7,085**	35
Bills payable	**2,416**	3,364
Less: Interest capitalised	**(7,085)**	—
	11,585	9,455

6. 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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current year provision:		
Hong Kong	**—**	—
Mainland China	**—**	—
Total tax charge for the year	**—**	—

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**167,520**	53,684
Tax at the applicable tax rate (2007: 15%, 2006: 15%)	**25,128**	8,053
Profit attributable to an associate	**(5)**	—
Tax losses not recognised	**15,477**	4,649
Tax exemption/relief	**(40,600)**	(12,702)
Tax charge at the Group's effective rate (2007: Nil, 2006: Nil)	**—**	—

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 Telecommunications Scientific (Shenzhen) Co., Ltd ("Yulong Shenzhen"), 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 the corporate income tax of the PRC for the two years starting from the 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 Yulong Shenzhen was 1996. An income tax rate of 15% was applied for the year ended 31 December 2007. No provision for taxation has been made as Yulong Shenzhen 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 the 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 and the current year was the second profitable year, no provision for income tax was needed in the current year.

Dongguan Yulong Computer Telecommunication Scientific Co., Ltd ("Dongguan Yulong") was set up on 3 November 2006. There were no operations conducted by Dongguan Yulong as at 31 December 2007.

Xi'an Coolpad Software Tech Co., Ltd. ("Xi'an Coolpad") was set up on 2 November 2007. There were no operations conducted by Xi'an Coolpad Software as at 31 December 2007.

7. DIVIDENDS

	notes	**2007** *HK$'000*	2006 *HK$'000*
Difference between the proposed final 2006 dividend and the actual dividend paid	(a)	**169**	—
Interim — HK$0.005 (2006: HK$0.0025) per ordinary share		**10,115**	4,982
Proposed final dividend — Nil (2006: HK$0.0075) per ordinary share		**—**	14,957
		10,284	19,939

(a) Certain share options were exercised during the period between the dividend proposal and the actual dividend payment. Accordingly, the number of shares eligible for dividend payment increased, resulting in a difference in dividends paid in 2007.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

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

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

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	**167,520**	53,684

	Number of shares	
Shares	**2007**	2006 (Restated)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,011,069,545**	1,989,798,926
Effect of dilution — weighted average number of ordinary shares:		
Share options	**89,345,331**	48,382,419
	2,100,414,876	2,038,181,345

The Group granted bonus shares on the basis of 1 bonus share for every 1 ordinary share at a par value of HK$0.01 each to shareholders whose names appear on the register of numbers on 22 May 2007 and then on the basis of 1 bonus share for every 1 ordinary share at a par value of HK$0.01 each to shareholders whose names appear on the register of numbers on 8 October 2007 during the year. The number of share for the year 2006 was restated to reflect the issue of bonus shares.

9. EVENT AFTER THE BALANCE SHEET DATE

On 5 March 2008, Dongguan Yulong signed an agreement with the Dongguan Land Exchange Centre to purchase the use right of a piece of land located in the Industrial Park of North Songshan Lake, Dongguan with an area of 109,469 square metres. The Group paid HK$47,990,000 on 26 March 2008 and the application for the certificate of land use right is in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue analyzed by product segments

The following table sets out the revenue and the corresponding percentage of the total revenue attributable to the major product segments of the group for the periods indicated.

Product segment	**2007** Revenue *HK$ in millions*	**2007** Percentage of total revenue	2006 Revenue *HK$ in millions*	2006 Percentage of total revenue
Smartphones				
CDMA/GSM dual-mode smartphones	**1,039.4**	**81%**	526.5	82%
GSM/GSM dual-mode Smartphones	**143.1**	**11%**	—	—
CDMA single-mode smartphones	**83.3**	**7%**	104.2	16%
Subtotal	**1,265.8**	**99%**	630.7	98%
Other products	**11.9**	**1%**	10.2	2%
Total	**1,277.7**	**100.0%**	640.9	100%

For the year ended 31 December 2007, the Group's revenue increased by 99.4% to HK$1,277.7 million, as compared with HK$640.9 million in 2006. The increase was mainly attributable to the growth in revenue from the dual-mode smartphones, as CDMA-GSM dual-mode smartphones segment and GSM-GSM dual-mode smartphones segment. The revenue from the CDMA single-mode smartphones segment decreased by 20% to HK$83.3 million in 2007, as compared with HK$104.2 million in 2006. The Group endeavored to market an increasingly wide variety of high-end new innovative smartphones for different users during the last year. In particular the Group began to market GSM-GSM dual-mode smartphones to GSM Network distributor and overseas market, which actively strengthened our products' diversification and client base in the smartphone segment.

Gross profit

Despite the fierce competition, the gross profit margin of the Group increased by 3.4% to 40.8% in 2007, as compared with 37.4% in 2006. The Group's gross profit rose to HK$521.3 million in 2007 from HK$240.0 million in 2006. The increase is attributable to the Group's strength in developing dual-mode smartphones and its effective cost control.

	2007		2006	
Product segment	**Gross profit**	**Gross profit margin**	Gross profit	Gross profit margin
	HK$ in millions		*HK$ in millions*	
Smartphones				
CDMA-GSM dual-mode smartphones	**450.2**	**43.3%**	189.2	35.9%
GSM-GSM dual-mode Smartphones	**48.8**	**34.1%**	—	—
CDMA smartphones	**20.4**	**24.5%**	45.4	43.6%
Other products	**1.9**	**16.0%**	5.4	52.9%
Total	**521.3**	**40.8%**	240.0	37.4%

Gross profit margin of the Group's CDMA-GSM dual-mode smartphone segment rose to 43.3% in 2007 from 35.9% in 2006, mainly due to its scale efficiency and the growing Coolpad brand awareness. While the gross profit of the CDMA single-mode smartphones business in 2007 dropped to 24.5% from 43.6% in 2006, and the gross profit of other product segment decreased significantly, all these decreases were due to the Group's change in strategic focus to research and development of the high-end dual-mode smartphones in 2007. Besides, in the GSM-GSM dual-mode smartphones segment, it realized a good result in the second half year, with a gross profit of 34.1%.

Selling and distribution costs

The Group's selling and distribution costs in 2007 amounted to HK$213.5 million, representing a 147.2% increase as compared with HK$86.4 million in 2006. Selling and distribution costs accounted for 16.7% of the total revenue in 2007, as compared with 13.5% in 2006. Therefore, the Group diverted more resource to promotional and advertising activities in order to extend distribution network and enhance the "Coolpad" brand awareness and reputation.

Administrative expenses

The Group's administrative expenses in 2007 amounted to HK$192.5 million, representing a 80.2% increase from HK$106.8 million in 2006, while administrative expenses accounted for 15.1% of the total revenue in 2007, as compared with 16.7% of the total revenue of the Group in 2006. The decrease of administrative expenses as a percentage of the total revenue was mainly attributed to the Group's improved administrative efficiency.

Income tax expenses

The Group's income tax expense in 2007 was nil. In accordance with the Income Tax Law of the PRC for Foreign Investment Enterprise and Foreign Enterprises and as approved by relevant tax authorities, Yulong Shenzhen (an indirect 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 the 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 Yulong Shenzhen was 1996. An income tax rate of 15% was applied for the year ended 31 December 2006. No provision for taxation has been made as Yulong Shenzhen suffered a loss for the year. Coolpad Software was established in the PRC as a limited liability company on 7 March 2006 and commenced operation in September 2006. Coolpad Software also enjoyed exemption from corporation income tax for the two years starting from the first profitable year of operation 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 was established in the PRC as a limited liability company on 3 November 2006. There were no operations for Dongguan Yulong as at 31 December 2007, and Xi'an Coolpad was set up on 2 November 2007 which also had no operations as at 31 December 2007.

Net profit

For the year ended 31 December 2007, the Group recorded a net profit of HK$167.5 million, representing a significant year-on-year increase of 212.0% over 2006. The net profit margin in 2007 rose to 13.1% from 8.4% in 2006. The increases were due to (i) the Group's broadened revenue source resulting from its diversified dual-mode smartphones marketed to different networks during the reporting period; and (ii) the Group's improved scale efficiency in cost and expenses management.

Business activities

The number of new innovative products of the Group increased dramatically during the reporting period. During the year ended 31 December 2007, the Group offered 4 series 12 dual-model smartphones and other enterprise program products. Most notably, since July 2007 the Group launched 3 new GSM-GSM dual-mode smartphones for China GSM Network distributor's customized smartphones, which has laid solid foundations for further collaborations with China's GSM Network operators. The Group's CDMA smartphones maintained a strong market share in the CDMA market in China.

The Group has established an outstanding R&D team and became one of the strongest smartphone developers in China. In order to improve its R&D abilities, the Group restructured its R&D department by establishing an ID center with more senior designers and chartered engineers. The Group endeavors to make its ID center the best ID center among telecommunications companies in China. In addition, the Group received the approval for trial network access license in December 2007, then its Coolpad TD6260 was introduced to the market as the first TDCDMA-GSM dual-mode smartphone in China. As a result, the Group's focus on the development and innovation of technologies has been its key competitive advantage.

The Group has built high brand awareness for Coolpad. The Group invested in a broad range of marketing initiatives to strengthen the "Coolpad" brand recognition. The Group established Coolpad after-sales service shops in all municipal cities and most secondary cities in China. Besides, the Group launched numerous training programs for telecom operators' sales force to enhance their after-sales service skills. The Group believes the improved quality of after-sales services is an important competitive advantage for the Group.

The Group cooperated closely with a number of various well-known global technologies companies, like TI, Qualcomm, Datang and Microsoft. The Group is one of the biggest developers specializing in operating system based on Windows CE in the world. The Group has also been cooperating with Qualcomm in the production of chipset. After several years of cooperation, Qualcomm entrusted us to develop and improve its up-to-date CDMA chipset. The Group also strove to develop its value-added business. The Group established a "Coolpadtone" program whereby it provides games downloading, data resolving, GPS, Video, online TV, Wireless data back-up and other value-added data services to its end-users. All these set the Group's long-term development on solid ground.

The Group put a strong emphasis on sound financial management and improved the efficiency of fund operation. The audit department of the Company helped the Group improve the subsidiaries' financial audit so as to strengthen the financial regulation and reduce the financial management risks of the Group.

Bonus Shares

The first time bonus shares were issued on the basis of one bonus share for every one ordinary share at a par value of HK$0.01 each to shareholders whose names appear on the register of members on 22 May 2007 and the second bonus shares were issued on the basis of one bonus share for every one ordinary share at a par value of HK$0.01 each to shareholders whose names appear on the register of members on 8 October 2007.

Liquidity and financial resources

As at 31 December 2007, the Group had a gearing ratio of 47% (based on debt over total assets) (2006: 58%).

As at 31 December 2007, the Group had a current ratio of 1.7 (based on current assets over current liability) (2006: 1.7).

Pledge of assets

As at 31 December 2007, approximately HK$9.7 million of the Group's bank deposits was pledged to secure notes payable and about HK$19.5 million of the Company's bank deposits was pledged to secure a letter of credit. The Group's leasehold land with a net book value of approximately HK$12.2 million was pledged to secure a long term bank loan with the current portion amounting to HK$27.8 million (2006: Nil) and the non-current portion amounting to HK$79.1 million (2006: HK$99.5 million) granted to the Group .

Business outlook

As looking forward to the future, the Group is confident in its development and prosperity from the opportunities brought by the steady growth of the telecommunications industry in China combined with the unveiling of the 3G business, although the Group in the short run faces challenges from its competitors and uncertainties in China telecom operators' restructuring in 2008. The Group plans to make further development in our strategies of products differentiation, R&D, human resource deployment and pursue growth through market expansion, product quality and after-sales service improvement, brand name enhancement, etc.

The Group's focus in 2008 is as follows:

The Group will endeavor to capitalize on R&D development to expand its China's high-end dual mode smartphone market share through delivering additional high quality and differentiated smartphones and wireless solutions. The Group plans to launch 6 CDMA-GSM dual-mode models, 4 GSM-GSM dual-mode models and another 2 CDMA single mode smartphones. Being one of the most important TD-SCDMA-GSM dual-mode smartphone developers, the Group plans to develop 2 to 3 TDSMCA-GSM dual-mode models. The Group believes that the TDSCDMA-GSM devices will get a larger share in the China's TDSCDMA smartphones market, and it will further broaden the Group's source of revenue in 2008.

The Group will further improve its R&D platform and solutions. Through the integrated and standards-based development platform, the Group will make the Coolpad terminals and wireless data solutions compatible with more third-party applications. In order to broaden its source of revenue, the Group will take new ventures to develop the "Coolpadtone" data service and other wireless data solutions. The Group will also expand its product portfolio to support for emerging network technologies, such as WiMax, WCDMA, CDMA2000, etc.

The Group strives to further cooperate with telecom operators to broaden its client base, and work closely with other well-known enterprises to enhance its R&D capabilities. The Group will participate in more domestic and global telecommunications exhibitions and improve its media exposure by placing more advertisement in newspapers, aviation magazine and other outdoor media.

The Group strives to penetrate into the oversea markets by cooperating with foreign telecommunications operators in respect of its own Coolpad brand.

Foreign exchange exposure

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

Employees and remuneration policy

During the year, the staff cost amounted to HK$147.3 million. The remuneration of the Group's employees is commensurate with their responsibilities and the market levels, with discretionary bonuses and training given on a merit basis.

Significant investments

There were no significant investments held by the Group as at 31 December 2007.

Material acquisitions and disposals during the year

There were no materials acquisitions and disposals of the Company and its subsidiaries as at 31 December 2007.

Purchase, redemption or sale of listed securities of the Company

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

Audit Committee

The audit committee (the "Audit Committee") of the Company comprising the 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 audited financial statements for the year ended 31 December 2007.

Compliance with the Code of Corporate Governance Practices

Code Provision A.2.1 of the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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.

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the year ended 31 December 2007, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

By order of the Board
China Wireless Technologies Limited
GUO DEYING
Chairman

Shenzhen, 14 April 2008

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Guo Deying and Mr. Jiang Chao; two non-executive directors, namely, Ms. Yang Xiao and Ms. Ma Dehui and four independent non-executive directors, namely, Dr. Huang Dazhan, Mr. Xie Weixin, Mr. Chan King Chung and Mr. Yang Xianzu.