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)

無線通訊

WIRELESS COMMUNICATIONS

UNLIMITED IN THE FUTURE

無限未來

Interim Report 2009

CONTENTS

CORPORATE PROFILE

China Wireless Technologies Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2002. The shares of the Company (the "Shares") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2004 (Stock Code: 2369).

Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("Shenzhen Yulong") is an indirect wholly-owned subsidiary of the Company. It was founded by Mr. Guo Deying (the Company's Chairman, Executive Director and CEO) in April 1993. Shenzhen Yulong is a leading developer and provider of integrated solutions for smartphone sets, mobile data platform system, and value-added business operations in the People's Republic of China (the "PRC" or the "Mainland China"). The company mainly provides its products for enterprises, governmental departments and telecommunications operators in the Mainland China.

In the last decade, capitalizing on the development of wireless telecommunications technological know-how in wireless telecommunications across multiple wireless telecommunications network standards including paging, GSM, CDMA1X, TD-SCDMA, CDMA2000 and WCDMA network, the Company and its subsidiaries (collectively, the "Group") have developed a number of various proprietary technologies and patents in operating systems, radio frequency, protocols and wireless data decomposed transmission technology. The Group has developed advanced research and development capabilities in mobile communications and gradually becomes a leader of high-end dual-mode smartphone in the global telecommunications market. The Group is currently focused on researching, developing, producing and marketing smartphone in the Mainland China.

As a leading wireless data solutions developer in the Mainland China's mobile telecommunications market, the Group has also succeeded in breaking into the global telecommunications market. The Group strives to further develop in the global telecommunications markets and has established strong and strategic cooperation relationships with certain global telecommunications operators.

The Group is committed to providing every single individual with the privilege to enjoy the extravagant experience of using integrated terminal of wireless data solutions. To achieve this goal, the Group is striving to realize its clients' dream by providing personalized products and services based on its own operating systems and other application softwares.

CORPORATE INFORMATION

Registered Office
Cricket Square
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P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in the PRC
No. 2 Flat, Coolpad Cyber Park
Mengxi Boulevard
Northern Part of Science & Technology Park
Nanshan District
Shenzhen

Principal Place of Business in Hong Kong
Room 1902
Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

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

Authorised Representatives
Mr. GUO Deying
Mr. JIANG Chao

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Tel: +86 755 3302 3607
Email: ir@yulong.com

Auditors and Reporting Accountants
Ernst & Young
Certified Public Accountants

Legal Advisers to the Company as to Hong Kong Law
DLA Piper Hong Kong

Legal Advisers to the Company 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) Ltd
Oversea-Chinese Banking Corporation Ltd

Website Address
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Stock Code
2369

FINANCIAL HIGHLIGHTS

- The Group's unaudited consolidated revenue amounted to approximately HK$715,701,000 for the six months ended 30 June 2009, representing a significant growth of approximately 62.2%, as compared with HK$441,315,000 in the corresponding period of 2008.

- The sales volume of the Group's smartphone was approximately 570,000 units for the six months ended 30 June 2009, representing an increase of approximately 256.3% as compared with 160,000 units in the corresponding period of 2008.

- The Group's gross profit margin fell to 35.5% for the six months ended 30 June 2009 from 42.2% in the corresponding period of last year. This decrease in the Group's gross profit margin was primarily attributable to the decline in the average selling prices as the Group launched some low-end CDMA handsets during the reporting period.

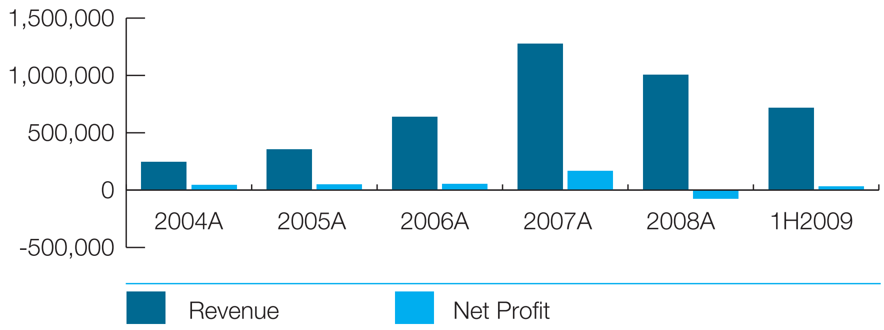
- The Group achieved a net profit attributable to shareholders of approximately HK$32,409,000 during the reporting period, representing 4.5% of its total revenue, while it recorded a net loss of approximately HK$49,259,000 in the corresponding period of 2008.

- Basic earnings per share were approximately HK$1.59 cents for the six months ended 30 June 2009, while basic loss per share was approximately HK$2.43 cents in the corresponding period of 2008.

- The board of directors of the Company (the "Board") has resolved to propose an interim dividend of HK$0.01 per Share for the six months ended 30 June 2009 to shareholders whose names appear on the register of members of the Company by close of business on 25 September 2009. The interim dividend will be attributed on or about 12 October 2009. For this purpose the register of members of the Company will be closed from 23 to 25 September 2009 (both days inclusive) during which no transfer of Shares will be effected.

- Historical performance (unit: HK$'000):

The Group's Revenue and Net Profit/(Loss) in 2004A-1H2009



MANAGEMENT DISCUSSION & ANALYSIS

The financial data below is extracted from the Group's unaudited financial statements prepared under the HKFRSs. The following discussion and analysis should be read in conjunction with the Group's condensed consolidated financial statements.

	The six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
REVENUE		
CDMA/GSM dual-mode smartphone	**289,059**	327,403
GSM/GSM dual-mode smartphone	**9,372**	85,138
TD-SCDMA/GSM dual-mode smartphone	**92,172**	15,375
CDMA single-mode smartphone	**316,421**	8,160
Other Products	**8,677**	5,239
Total revenue	**715,701**	441,315
Cost of sales	**(461,460)**	(255,015)
Gross profit	**254,241**	186,300
Other income and gains	**23,706**	22,803
Selling and distribution costs	**(104,021)**	(118,684)
Administrative expenses	**(121,806)**	(130,273)
Other expenses	**(5,367)**	(428)
Finance costs	**(9,009)**	(8,535)
Share of loss of an associate	**—**	(442)
Profit/(Loss) before tax	**37,744**	(49,259)
Tax	**(5,335)**	—
Profit/(Loss) after tax	**32,409**	(49,259)
Proposed interim dividends	**20,487**	—
Earnings/(Loss) per share — Basic	**1.59 cents**	(2.43) cents
— Diluted	**1.58 cents**	N/A

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Operating Results

The Group's unaudited consolidated revenue for the six months ended 30 June 2009 amounted to approximately HK$715.7 million, representing a significant increase of 62.2% as compared with HK$441.3 million in the corresponding period of 2008. The increase in revenue indicated that the Group's business has been back on track for rapid growth since the completion of the Mainland China's telecommunications restructuring (the "Restructuring") in 2008.

The Group's gross profit margin decreased by 6.7% to 35.5% for the six months ended 30 June 2009 from 42.2% in the corresponding period of 2008. This decrease in gross profit margin was attributable to the decline in the Group's average selling prices as a result of the Group's initiative to promote some low-end smartphone handsets during the reporting period.

The Group achieved a net profit of HK$32.4 million for the six months ended 30 June 2009, while it recorded a net loss of HK$49.3 million in the corresponding period of 2008.

Basic earnings per share were approximately HK$1.59 cents for the six months ended 30 June 2009, while basic loss per share was approximately HK$2.43 cents in the corresponding period of 2008.

Revenue Analyzed by Product Segments

A comparative breakdown of the significant revenue streams into the product segments is set forth in the following table for the period indicated:

	The six months ended 30 June			
	2009		2008	
Product Segment	**Revenue HK$'000 (unaudited)**	**As a percentage of total revenue**	Revenue HK$'000 (unaudited)	As a percentage of total revenue
Smartphone				
CDMA/GSM dual-mode smartphone	**289,059**	**40.4%**	327,403	74.2%
GSM/GSM dual-mode smartphone	**9,372**	**1.3%**	85,138	19.3%
TD-SCDMA/GSM dual-mode smartphone	**92,172**	**12.9%**	15,375	3.5%
CDMA single-mode smartphone	**316,421**	**44.2%**	8,160	1.8%
Subtotal	**707,024**	**98.8%**	436,076	98.8%
Other Products	**8,677**	**1.2%**	5,239	1.2%
Total	**715,701**	**100.0%**	441,315	100.0%

The revenue mix indicated that the Group has focused its business on researching, developing, producing and marketing its Coolpad smartphone, the sale of which generated revenue accounting for 98.8% of the Group's total revenue, which percentage figure was the same as that in the corresponding period of last year.

During the period under review, the revenue from the three kinds of dual-mode smartphone accounted for 54.6% of the Group's total revenue, representing a decrease of 42.4% as compared with 97.0% for the corresponding period of last year. The decrease was attributable to a significant reduction in the revenue from CDMA/GSM dual-mode smartphone, which declined to approximately HK$289.1 million in the reporting period from HK$327.4 million in the corresponding period of 2008, representing an 11.7% decrease. The reason for the decrease in revenue from CDMA/GSM dual-mode smartphone was mainly that the new CDMA network operator devoted less resource to promoting high-end dual-mode smartphone in the reporting period. Meanwhile, the revenue from CDMA/GSM dual-mode smartphone as a percentage of the Group's total revenue declined to 40.4% during the reporting period from 74.2% in the corresponding period of 2008. However, the Group still retained a leading position in the high-end dual-mode handset market in the Mainland China.

The revenue from GSM/GSM dual-mode smartphone sharply decreased to approximately HK$9.4 million during the reporting period from HK$85.1 million in the corresponding period of last year. The revenue from GSM/GSM dual-mode smartphone as a percentage of the Group's total revenue recorded a decline of about 18.0%, from 19.3% in the corresponding period of 2008 to 1.3% in the period under review. The reason for this significant decrease was that the Group shifted its resource to develop TD-SCDMA/GSM dual-mode smartphone for its operator during the reporting period.

The revenue from TD-SCDMA/GSM dual-mode smartphone was approximately HK$92.2 million during the reporting period, which was approximately five times more than the corresponding period of 2008. Meanwhile, the revenue from TD-SCDMA/GSM dual-mode smartphone as a percentage of the Group's total revenue rose to 12.9% during the reporting period from 3.5% in the corresponding period of last year. The reason for the substantial increase in the revenue from TD-SCDMA/GSM dual-mode smartphone was that the TD-SCDMA network operator purchased a higher quantity of the Group's tailor-made TD-SCDMA/GSM dual-mode high-end smartphone as the TD-SCDMA network underwent large-scale commercialization during the reporting period.

The revenue from CDMA single-mode smartphone increased to approximately HK$316.4 million during the reporting period from HK$8.2 million in the corresponding period of last year. Accordingly, the revenue from CDMA single-mode smartphone as a percentage of the Group's total revenue rose substantially to 44.2% during the reporting period from 1.8% in the corresponding period of last year. The reason for the enormous increase was mainly that the Group launched its low-end smartphone during the reporting period. In terms of product strategy, the Group was increasingly involved in the low-end CDMA handset market so as to capture more opportunities in the blooming market and to enlarge the Group's production scale.

The revenue from other products for the reporting period was HK$8.7 million, representing an increase of approximately 65.6% as compared with HK$5.2 million in the corresponding period of last year. The revenue from other products as a percentage of the Group's total revenue was 1.2%, which was equal to that in the corresponding period of last year. The revenue from other products was attributable to the sale of handset accessories to end-users during the reporting period.

Gross Profit

	The six months ended 30 June			
	2009		2008	
Product Segment	Gross Profit (unaudited)	Gross Profit Margin	Gross Profit (unaudited)	Gross Profit Margin
Smartphone				
CDMA/GSM dual-mode smartphone	104,409	36.1%	143,982	44.0%
GSM/GSM dual-mode smartphone	(8,108)	—	30,280	35.6%
TD-SCDMA/GSM dual-mode smartphone	23,369	25.4%	7,717	50.2%
CDMA single-mode smartphone	130,117	41.1%	2,295	28.1%
Subtotal	249,787	—	184,274	—
Other Products	4,454	51.3%	2,026	38.7%
Total	254,241	35.5%	186,300	42.2%

The Group's gross profit increased by 36.5% to HK$254.2 million for the six months ended 30 June 2009, as compared with HK$186.3 million in the corresponding period of last year. However, the Group's gross profit margin was 35.5% for the six months ended 30 June 2009, representing a decline of 6.7%, as compared with 42.2% in the corresponding period of last year. The decrease in the Group's gross profit margin was primarily attributable to the continuing pressure on the Company in respect of the average selling prices as the Group expanded its business into the low-end handset market during the reporting period.

The Group's gross profit margin with respect to CDMA/GSM dual-mode smartphone dropped to 36.1% during the reporting period, from 44.0% in the corresponding period of last year. The decrease was mainly due to the declined average selling prices and lower sales during the reporting period.

The Group recorded a net loss of approximately HK$8.1 million from GSM/GSM dual-mode smartphone during the reporting period, primarily due to the fact that the Group did not launch any new GSM/GSM dual-mode smartphone during the reporting period.

The Group's gross profit from TD-SCDMA/GSM dual-mode smartphone substantially increased by 202.8% to approximately HK$23.4 million during the reporting period, as compared with HK$7.7 million in the corresponding period of last year. The gross profit margin for this business segment dropped by 24.8% to 25.4% during the reporting period from 50.2% in the corresponding period of last year. The reason for the significant decrease was that most of the sales from TD-SCDMA/GSM dual-mode smartphone were generated from the old models of 2008 with a lower selling price during the reporting period.

The Group's gross profit from CDMA single-mode smartphone increased to HK$130.1 million during the reporting period, which was approximately 56 times more than that in the corresponding period of last year. Accordingly, the gross profit margin for this business segment rose by 13% to 41.1% during the reporting period from 28.1% in the corresponding period of last year. The enormous increase in gross profit margin for this business segment was mainly caused by effective cost reductions coupled with the substantial increase in the sales volume of low-end CDMA smartphone during the reporting period. This significant increase in the gross profit margin for this business segment partially offset the decline in the gross profit margin for CDMA/GSM dual-mode smartphone, GSM/GSM dual-mode smartphone, as well as TD-SCDMA/GSM dual-mode smartphone.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's gross profit margin for other products increased to 51.3% for the six months ended 30 June 2009 from 38.7% in the corresponding period of last year. The increase in gross profit margin for this segment was mainly attributable to the decrease in the costs of raw materials with respect to products' accessories coupled with relatively higher prices.

Other Income and Gains

Other income and gains of the Group amounted to approximately HK$23.7 million for the six months ended 30 June 2009, representing a slight increase of 4.0% as compared with HK$22.8 million in the corresponding period of 2008. The increase was mainly attributable to the increase of the Group's rental income during the reporting period.

Selling and Distribution Costs

	For the six months ended 30 June	
	2009	2008
Selling and Distribution Costs (HK$'000)	**104,021**	118,684
As a percentage of total revenue	**14.5%**	26.9%

Selling and distribution costs fell by 12.4% to approximately HK$104.0 million for the six months ended 30 June 2009 from HK$118.7 million in the corresponding period of last year. Meanwhile, the selling and distribution costs as a percentage of the Group's total revenue dropped to 14.5% during the reporting period from 26.9% in the corresponding period of last year. The decreases indicated that the Group has effectively controlled its marketing costs through taking a series of cost-reduction measures during the reporting period.

Administrative Expenses

	For the six months ended 30 June	
	2009	2008
Administrative Expenses (HK$'000)	**121,806**	130,273
As a percentage of total revenue	**17.0%**	29.5%

The Group's administrative expenses fell by 6.5% to approximately HK$121.8 million for the six months ended 30 June 2009 from approximately HK$130.3 million in the corresponding period of last year. The administrative expenses as a percentage of the Group's total revenue also fell to 17.0% for the six months ended 30 June 2009 from 29.5% in the corresponding period of last year. It indicated that the Group has better controlled the research and development expenditures and the operation expenses during the reporting period.

Other Expenses

The Group recorded other expenses of approximately HK$5.4 million for the six months ended 30 June 2009, representing an increase of approximately HK$5.0 million from HK$0.4 million in the corresponding period of last year. The increase was primarily attributable to the loss on disposal of items of the raw materials during the reporting period.

Finance Costs

Finance costs of the Group for the six months ended 30 June 2009 amounted to approximately HK$9.0 million, representing a slight increase of HK$0.5 million as compared with HK$8.5 million in the corresponding period of last year. The increase was due to a slight increase in the amount of the Group's interest-bearing bank borrowings during the reporting period.

Tax

The Group's income tax expenses amounted to HK$5.3 million for the six months ended 30 June 2009, while it was nil in the corresponding period of last year. The increase in the income tax expenses was mainly attributable to the operating profit and newly generated investment properties during the reporting period.

Net Profit/Loss

The Group's net profit was approximately HK$32.4 million for the six months ended 30 June 2009, representing 4.5% of the Group's consolidated revenue, while the Group recorded a net loss of approximately HK$49.3 million in the corresponding period of last year. The reasons for the increase in the net profit during the reporting period were that (i) the Group has recovered and been back on track for rapid growth after the Restructuring in 2008, resulting in a substantial increase in its total revenue; and (ii) the Group's administrative and selling expenses were effectively controlled, leading to a significant decrease in those expenses during the reporting period.

Gearing Ratio & the Basis of Calculation

The Group's gearing ratio as at 30 June 2009 was 48.7%, representing a decrease of 6.3% as compared with 55.0% as at 31 December 2008. The decrease was mainly attributable to the decrease in the amount of bills payable during the reporting period. The gearing ratio is equal to net debt divided by the sum of capital and net debt.

Liquidity and Financial Resources

The main source of the Group's operating capital during the reporting period is cash generated from its daily operation and bank borrowings. The Group's cash requirements are primarily related to production and operating activities, repayment of due liabilities, capital expenditure, interest and dividend payments and other unforeseen cash requirements.

Cash and cash equivalents of the Group as of 30 June 2009 amounted to HK$165.5 million, representing an increase of approximately HK$40.6 million as compared with HK$124.9 million as at 31 December 2008.

Contingent Liabilities

As at 30 June 2009, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS ACTIVITIES

The Group has recovered smoothly in terms of its production and sales since the completion of the Restructuring, and has achieved a good performance. During the reporting period, the Group took a number of measures to adjust its products and market development strategies, enforced cost control, improved its administrative efficiency, enhanced its research and development capabilities as well as technology level, and consolidated its competitive advantages and market share.

The Group has developed a multi-platform for the research and development of smartphone and has optimized its product portfolio. With respect to the product mix, the Group has placed more emphasis on mid-end models, and has expanded its business into the low-end smartphone market. The Group has continuously expanded its market coverage and scope, and broadened its revenue sources to achieve economies of scale. During the reporting period, the Group successfully developed about four series of smartphone, a total of nine models of smartphone, in the PRC's handset market, including three CDMA sing-mode low-end models and three CDMA1X/GSM dual-mode mid-end models and one TD-SCDMA(HSDPA)/GSM dual-mode mid-end models as well as two CDMA1X2000(EVDO)/GSM dual-mode high-end models. The Group's sales volume reached about 570,000 units during the reporting period, setting a new record. The Group's market share in the CDMA handset has risen since the launch of the low-end featured CDMA handsets during the reporting period.

As a result of its long-term commitment to the research and development of 3G smartphone, the Group quickly captured a leading position in the 3G mobile market since the issue of 3G mobile licenses. The Group responded to the 3G network operators' request to have the handsets tailored to their requirements and succeeded in launching one TD-SCDMA(HSDPA)/GSM and two CDMA1X2000 (EVDO)/GSM dual-mode high-end models of smartphone as a result during the reporting period. Notably, the Group launched a CDMA1X2000(EVDO)/GSM dual-mode high-end smartphone (Coolpad N900) featured with strong wireless internet functions and beautiful appearance. The amazing model has aroused enormous response among the consumers and the industry.

The Group further consolidated its partnership relations with three telecommunications operators in the PRC by reinforcing the cooperation with them on 3G products and technologies. The Group received a number of bulk purchase orders for tailor-made smartphone in the first batch purchase of 3G handsets from the operators, and continuously received their business and technological support.

The Group has built long-term strategic relations with some qualified sales distributors and agents around the Mainland China during the reporting period with a view to optimizing the Group's multi-channel sales model, apart from the cooperation with the operators. The awareness of the Group's brand — "Coolpad" continued to improve, through a broad range of promotion activities in kinds of advertising medium channels during the reporting period.

The Group has implemented various cost control measures during the reporting period, including streamlining production processes, optimizing administrative efficiency through advanced information technology, improving logistic management. All of these measures further improved the Group's management.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OUTLOOK

The CDMA network operator in the PRC is seeking to consolidate its customer base and will be actively involved in the promotion of terminals in the second half of 2009. As such, the PRC market for CDMA handsets is full of new opportunities which are conducive to development. Meanwhile, it is expected that 3G mobile market in the PRC will thrive with the healthy development of 3G technologies used in large-scale commercialization. Thus, as a leading provider of CDMA handsets as well as 3G smartphone, the Group is anticipating abundant growth opportunities in the domestic handset market in the coming future.

The Group's focus in the second half of 2009 will be as follows:

Innovative technologies and products are the greatest competitive strength of the Group. The Group will continue to develop its innovative technology, introduce advanced products as well as a series of high value-added creative solutions and services to its customers. The Group will put more resources into the research and development of the following technologies: wireless internet mobile, electronic payment, multi-media functions, operating systems and other Coolpadtone applications.

The Group expects to further increase its sales volume and revenue through optimizing its product portfolio. The Group plans to launch three models of CDMA/GSM dual-mode mid-end smartphone and five models of CDMA single-mode low-end smartphone, and to develop two TD-SCDMA(HSDPA)/GSM dual-mode high-end models, two CDMA1X2000(EVDO)/GSM dual-mode high-end models and one WCDMA/GSM dual-mode high-end model of 3G smartphone for 3G networks operators in the second half of 2009. The development of the three kinds of 3G smartphone will further expand the Group's product lines. The sale of these models of 3G smartphone is expected to become the Group's major source of revenue in the coming future.

The Group will continue to consolidate and build on its initial success in the 3G network terminal in the domestic market, and in particular maintain its leading position in terms of the markets for CDMA1X2000(EVDO) and TD-SCDMA networks through cooperation with its operators. The Group believes it will make more consumers know about Coolpad brand and its strong 3G technologies by rolling out a variety of 3G dual-mode high-end creative smartphone models in the Mainland China.

Quality of products is of the utmost importance to the Group. The Group will exercise control and management over the product quality, further improve the level of after-sale services. As consumers change their handsets frequently, their experience of using handsets is absolutely important. Thus the Group will endeavor to further enhance the innovation of its user-interface (UI) and interaction industry design (ID).

The Group will continue to streamline its production processes and strictly control its production costs and all kinds of administrative expenses so as to maintain a reasonable gross profit margin and profit for the Group's long-term stable development.

However, the Group and its management are also well aware that there are a number of challenges ahead. First, the Group faces a strict and comprehensive test for updating its sales channel model, as the CDMA network operator has opened up the terminal market after the Restructuring. It will result in uncertainty and volatility with respect to the sales volume of the Group in the coming future. Second, the CDMA handset market has become increasingly competitive as more and more manufacturers are entering into the market, putting the Group under continuing pressure in terms of the average selling prices and gross profit margin for its products. Nevertheless, the management is still optimistic about its future and strongly believes that the Group's long-term development will be prosperous if it persists with the implementation of product differentiation and leading market strategies, technology innovation and consolidated financial strengths.

FOREIGN EXCHANGE EXPOSURE

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

CREDIT RISK

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

INTEREST RATE RISK

The risk in interest rate concerning the Group primarily related to our short-time and long-time bank loans and other borrowings. The interests are calculated at fixed and floating rates. Any rise in the current interest rate will increase the interest cost. To the balance date, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

EMPLOYEES AND REMUNERATION POLICY

The total staff cost for the six months ended 30 June 2009 amounted to approximately HK$80.7 million. The remuneration of the Group's employees is commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis. The Group also provides on-the-job training to its employees from time to time.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 30 June 2009.

MATERIAL ACQUISITION AND DISPOSAL DURING THE REPORTING PERIOD

There were no material acquisitions 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 reporting period, 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 21 to the Financial Statement below.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share option scheme" in this announcement, 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 2009, the interests and short positions of the Directors, the chief executive or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code"), for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company:

		Number of shares held, capacity and nature of interest							
Name of director	Notes	Directly Beneficially Owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Founder of a discretionary trust	Share Option	Total	Approximate percentage of the Company's issued share capital
Mr. Guo Deying	1 & 2	–	831,171,248	40,752,000	–	831,171,248	–	871,923,248	42.56
Mr. Jiang Chao	3	–	–	–	40,752,000	–	–	40,752,000	1.99
Mr. Li Bin	4	1,400,000	–	–	–	–	11,000,000	12,400,000	0.61
Mr. Li Wang	4	–	–	–	–	–	3,000,000	3,000,000	0.15
Ms. Yang Xiao	1 & 2	–	831,171,248	40,752,000	–	831,171,248	–	871,923,248	42.56
Mr. Chan King Chung	4	–	–	–	–	–	192,000	192,000	0.01
Dr. Huang Dazhan	4	–	–	–	–	–	192,000	192,000	0.01
Mr. Xie Weixin	4	–	–	–	–	–	192,000	192,000	0.01
Mr. Yang Xianzu	4	–	–	–	–	–	192,000	192,000	0.01

Long positions in shares of an associated corporation:

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	Approximate percentage of issued share capital of the associated corporation
Mr. Guo Deying	1	Data Dreamland Holding Limited	1,000	1,000	100
Ms. Yang Xiao	1	Data Dreamland Holding Limited	1,000	1,000	100

Notes:

1. The entire issued share capital of Data Dreamland Holding Limited ("Data Dreamland") is held by Barrie Bay Limited ("Barrie Bay"), which is acting as the trustee of the Barrie Bay 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 Trust and the remaining one unit is held by Ms. Yang Hua. The Barrie Bay Trust is a discretionary trust set up by Mr. Guo Deying ("Mr. Guo"), an executive Director, and his spouse, Ms. Yang Xiao ("Ms. Yang"), 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 831,171,248 shares held by Data Dreamland as each of them is a settlor of the Barrie Bay Trust and by virtue of the interests of their minor children under the Barrie Bay Trust. The long positions in the Company's shares of each of Mr. Guo and Ms. Yang under the column "Through spouse or minor children" and the column "Founder of a discretionary trust" in the table headed "Long positions in shares of the Company" above refers to the same 831,171,248 shares.

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

2. Mr. Guo was taken to be interested in the 40,752,000 Shares held by Wintech Consultants Limited as he was one out of the three directors of Wintech Consultants Limited and the other two directors were accustomed to act in accordance with Mr. Guo's direction.

3. Mr. Jiang Chao, an executive Director, was interested in the 40,752,000 shares held by Wintech Consultants Limited as he was one of the discretionary objects under the China Wireless Employee Benefit Trust, a discretionary trust established for the benefit of the employees of the Group and the China Wireless Share Award Plan.

4. The interests of these Directors are in the underlying Shares of the options granted to the relevant Directors by the Company under the Share Option Scheme.

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

As at 30 June 2009, 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:

Name	Notes	Number of shares in which interested	Number of shares interested under equity derivatives	Nature of interest	Total number of shares	Approximate percentage of the Company's issued share capital
Data Dreamland Holding Limited	1	831,171,248	—	Beneficial owner	831,171,248	40.57
Barrie Bay Limited	2	831,171,248	—	Interest of a controlled corporation	831,171,248	40.57
HSBC International Trustee Limited	2	831,171,248	—	Trustee	831,171,248	40.57

Notes:

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

2. The 831,171,248 shares were held by Data Dreamland, the entire share capital of which is held by Barrie Bay, which is acting as the trustee of the Barrie Bay Unit Trust and the entire issued share capital of which is held by HSBC Trustee.

Save as disclosed above, as at 30 June 2009, so far as the Directors are aware, there were no other persons, other than the Directors and chief executive of the Company, who had interests or short positions in the shares, underlying shares or debentures of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are required to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

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

Save as disclosed above, none of the Directors is aware of any information which would reasonably indicate that the Company was not, for any part of the six months ended 30 June 2009, in compliance with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code, throughout the accounting period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprising the four independent non-executive Directors, namely Mr. Chan King Chung (the Chairman), Dr. Huang Dazhan, Mr. Xie Weixin and Mr. Yang Xianzu, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Group's unaudited financial statements for the six months ended 30 June 2009 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Board announces the unaudited consolidated results of Group for the six months ended 30 June 2009 together with comparative figures for the corresponding period of 2008 as follows:

	Notes	The six months ended 30 June 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
REVENUE	4	715,701	441,315
Cost of sales		(461,460)	(255,015)
Gross profit		254,241	186,300
Other income and gains	4	23,706	22,803
Selling and distribution costs		(104,021)	(118,684)
Administrative expenses		(121,806)	(130,273)
Other expenses		(5,367)	(428)
Finance costs	6	(9,009)	(8,535)
Share of profit and loss of an associate		—	(442)
PROFIT/(LOSS) BEFORE TAX	5	37,744	(49,259)
Tax	8	(5,335)	—
PROFIT/(LOSS) FOR THE PERIOD		32,409	(49,259)
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of buildings, net of tax		4,315	—
Exchange differences on translation of the financial statements of foreign entities		(885)	43,101
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		3,430	43,101
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35,839	(6,158)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		1.59 cents	(2.43) cents
Diluted		1.58 cents	N/A
DIVIDEND			
Proposed interim dividends	9	20,487	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**245,816**	285,481
Investment properties	11	**281,430**	243,669
Prepaid land lease payments		**62,833**	63,437
Intangible assets		**113,341**	96,577
Interest in an associate	13	**8,506**	8,516
Other non-current assets		**24,624**	24,680
Total non-current assets		**736,550**	722,360
CURRENT ASSETS			
Inventories	14	**272,717**	235,681
Trade receivables	15	**194,309**	269,893
Bills receivable	16	**45,046**	11,812
Prepayments, deposits and other receivables	17	**99,758**	150,988
Due from directors		**—**	93
Pledged time deposits		**33,443**	69,533
Cash and cash equivalents		**165,540**	124,915
Total current assets		**810,813**	862,915
CURRENT LIABILITIES			
Trade payables	18	**146,209**	160,194
Bills payable		**—**	88,158
Other payables and accruals	19	**239,867**	183,320
Interest-bearing bank and other borrowings		**201,535**	264,086
Due to an associate		**7,404**	6,951
Tax payable		**20,160**	15,987
Total current liabilities		**615,175**	718,696
NET CURRENT ASSETS		**195,638**	144,219
TOTAL ASSETS LESS CURRENT LIABILITIES		**932,188**	866,579

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2009 HK$'000 (Unaudited)**	31 December 2008 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	**221,393**	201,281
Deferred tax liabilities		**21,440**	19,380
Long term rental deposits		**4,033**	4,819
Total non-current liabilities		**246,866**	225,480
Net assets		**685,322**	641,099
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**20,487**	20,401
Shares held for the Share Award Plan		**(3,809)**	(2,835)
Reserves		**668,644**	623,533
Total equity		**685,322**	641,099

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	The six months ended 30 June	
		2009	2008
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
At 1 January — total equity		**641,099**	661,350
Total comprehensive income for the period		**35,839**	(6,158)
Issue of shares, including share premium		**1,887**	3,136
Equity-settled share option arrangements		**7,471**	7,353
Shares held for the Share Award Plan		**(974)**	—
Transfer to share premium account from share option reserve		**452**	1,790
Transfer from share option reserve to share premium account		**(452)**	(1,790)
At 30 June — total equity		**685,322**	665,681

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	The six months ended 30 June 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Net cash inflow/(outflow) from operating activities		**101,658**	(19,671)
Net cash outflow from investing activities		**(7,049)**	(99,838)
Net cash inflow/(outflow) from financing activities		**(53,835)**	127,520
Net increase in cash and cash equivalents		**40,774**	8,011
Cash and cash equivalents at beginning of period		**124,915**	91,222
Effects of foreign exchange rate changes, net		**(149)**	6,365
Cash and cash equivalents at end of the period		**165,540**	105,598

BALANCE SHEET

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**386**	433
Investments in subsidiaries	12	**44,991**	44,991
Intangible assets		**1,167**	1,945
Total non-current assets		**46,544**	47,369
CURRENT ASSETS			
Due from subsidiaries		**221,328**	257,511
Deposits and other receivables		**534**	439
Pledged time deposits		**13,000**	25,000
Cash and cash equivalents		**4,763**	3,473
Total current assets		**239,625**	286,423
CURRENT LIABILITIES			
Other payables and accruals		**1,907**	230
Interest-bearing bank borrowings	19	**964**	53,863
Total current liabilities		**2,871**	54,093
NET CURRENT ASSETS		**236,754**	232,330
Net assets		**283,298**	279,699
EQUITY			
Issued capital	20	**20,487**	20,401
Shares held for the Share Award Plan	22	**(3,809)**	(2,835)
Reserves		**266,620**	262,133
Total equity		**283,298**	279,699

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China Wireless Technologies Limited is a limited liability company incorporated on 11 June 2002 in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

During the six months ended 30 June 2009, the Group was principally engaged in the research, development, production and sale of mobile phones in the Mainland China.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and other relevant standards and interpretations and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the new standards and interpretations mandatory as of 1 January 2009, noted below:

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HKAS 39 and HK(IFRIC) — Int 9 Amendments	Amendments to HK(IFRIC) — Int 9 *"Reassessment of Embedded Derivatives"* and HKAS 39 *"Financial Instruments: Recognition and Measurement"*
HK(IFRIC) — Int 13	*Customer Loyalty Programmes*
HK(IFRIC) — Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) — Int 16	*Hedges of a Net Investment in a Foreign Operation*

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

Except for HKAS 1 (Revised) and HKFRS 8 as described below, the adoption of these new standards and interpretations has had no material effect on the results and financial position for the current or prior accounting periods. Accordingly no prior period adjustment has been recognised.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one statement.

HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS14 Segment Reporting. Additional disclosures about each of these segments are shown in note 3.

3. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's chief operating decision makers in order to allocate resource and assess performance of the segment. For the periods presented, the Group's chief operating decision makers have determined that the Group has two operating segments and summary of details of these two operating segments are as follows:

(a) the mobile phone segment engages in the research, development, production and sale of mobile phones; and

(b) the property investment segment invests in properties for their rental income potential or for capital appreciation.

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the Mainland China, and over 90% of the Group's assets are located in the Mainland China.

3. SEGMENT INFORMATION (continued)

The following tables which include segment asset information for the six months ended 30 June 2009 and 31 December 2008, present revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 June 2009 and 2008.

	Mobile phone HK$'000	Property investment HK$'000	Total HK$'000
The six months ended 30 June 2009 (Unaudited)			
Segment revenue:			
Sales to external customers	715,701	—	715,701
Other revenue	13,061	9,943	23,004
Total	728,762	9,943	738,705
Segment results	41,475	9,943	51,418
Interest income			702
Corporate and other unallocated expenses			(5,367)
Finance costs			(9,009)
Profit before tax			37,744
Tax			(5,335)
Profit for the period			32,409
The six months ended 30 June 2008 (Unaudited)			
Segment revenue:			
Sales to external customers	441,315	—	441,315
Other revenue	20,499	1,401	21,900
Total	461,814	1,401	463,215
Segment results	(41,984)	1,227	(40,757)
Interest income			903
Corporate and other unallocated expenses			(428)
Finance costs			(8,535)
Share of loss of an associate	(442)	—	(442)
Loss before tax			(49,259)
Tax			—
Loss for the period			(49,259)
Segment assets			
At 30 June 2009	1,045,765	294,109	1,339,874
At 31 December 2008	1,128,956	253,355	1,382,311

3. SEGMENT INFORMATION

Segment assets do not include interest in an associate of HK$8,506,000 (31 December 2008: HK$8,516,000), pledged time deposits of HK$33,443,000 (31 December 2008: HK$69,533,000), and cash and cash equivalents of HK$165,540,000 (31 December 2008: HK$124,915,000) as these assets are managed on a group basis.

During the six months ended 30 June 2009, sales to the Group's largest customers represented approximately 45% (six months ended 30 June 2008: 55%) of the Group's total sales.

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 2009, after allowances for returns and trade discounts and net of sales tax and value-added tax (the "VAT"). All significant intra-group transactions have been eliminated on consolidation.

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

	The six months ended 30 June	
	2009 **HK$'000** **(Unaudited)**	2008 HK$'000 (Unaudited)
Revenue		
Sale of wireless system solutions and smart-phones	**715,701**	441,315
Other income		
Rental income	**9,943**	1,401
Bank interest income	**702**	903
Government grants and subsidies*	**12,958**	14,107
Accessory income	**—**	5,516
Others	**103**	876
	23,706	22,803
	739,407	464,118

* Government grants and subsidies represented refunds of VAT paid from a tax bureau and government grants received from several government departments to support certain of the Group's research and development activities.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	The six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**461,460**	255,015
Depreciation	**9,482**	3,326
Amortisation of patents and licences*	**8,360**	7,950
Recognition of prepaid land lease payments	**685**	154
Research and development costs:		
Product development costs amortised*	**5,017**	3,134
Current period expenditure	**56,813**	34,726
	61,830	37,860
Operating lease rental	**3,546**	2,473
Loss on disposal of item of property, plant and equipment	**344**	297
Loss on disposal of materials	**4,834**	—

* The amortisation of patents and licenses and product development costs for the period are included in "Administrative expenses" on the face of the condensed consolidated statement of comprehensive income.

6. FINANCE COSTS

	The six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expense on:		
Bank loans repayable in full within one year	**5,657**	5,476
Bank loans repayable in full within four years	**7,044**	4,235
Bills payable	**1,527**	3,059
	14,228	12,770
Less: Interest capitalised	**(5,219)**	(4,235)
	9,009	8,535

7. DIRECTORS' REMUNERATION

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

	The six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Fees	**206**	205
Salaries, allowances and benefits in kind	**3,348**	2,295
Pension scheme contributions	**12**	8
	3,566	2,508
Share-based compensation expense*	**385**	348
	3,951	2,856

* Share-based compensation expense represents amortisation of fair value of the share options of the Company directly granted to directors.

The six months ended 30 June 2009	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compensation expense HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Guo Deying		1,196			1,196
Mr. Jiang Chao		1,248	3		1,251
Mr. Li Bin		258	3	249	510
Mr. Li Wang		306	3	116	425
Non-executive directors:					
Ms. Yang Xiao		340	3		343
Ms. Ma Dehui (Resigned on 7 April 2009)		–	–		–
Independent non-executive directors:					
Dr. Huang Dazhan	60			5	65
Mr. Xie Weixin	28			5	33
Mr. Chan King Chung	50			5	55
Mr. Yang Xianzu	68			5	73
	206	3,348	12	385	3,951

7. DIRECTORS' REMUNERATION (continued)

The six months ended 30 June 2008	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Share-based compensation expense HK$'000	Total remuneration HK$'000
Executive directors:					
Mr. Guo Deying		992			992
Mr. Jiang Chao		662	1		663
Mr. Li Bin		106	3	177	286
Mr. Li Wang		204	3	171	378
Non-executive directors:					
Ms. Yang Xiao		331	1		332
Ms. Ma Dehui		—	—		—
Independent non-executive directors:					
Dr. Huang Dazhan	60				60
Mr. Xie Weixin	28				28
Mr. Chan King Chung	50				50
Mr. Yang Xianzu	67				67
	205	2,295	8	348	2,856

8. TAX

No provision for Hong Kong profits tax has been made (six months ended 30 June 2008: nil) as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2009. 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	
	2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
Group:		
Current — Mainland China	**1,400**	—
Deferred income tax	**3,935**	—
Total tax charge for the period	**5,335**	—

9. DIVIDENDS

On 1 September 2009, the Directors resolved to declare interim dividend of HK$0.01 per Share in respect of the six months ended 30 June 2009 to shareholders whose name appear on the register of members of the Company by close of business on 25 September 2009 (six months ended 30 June 2008: nil). The interim dividend will be attributed on or about 12 October 2009. For this purpose the register of members of the Company will be closed from 23 to 25 September 2009 (both days inclusive) during which no transfer of Shares will be effected. In order to qualify for the interim dividends, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 22 September 2009.

As the interim dividend is declared after the balance sheet date, such dividend is not recognised as a liability as at 30 June 2009.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the net profit for the six months ended 30 June 2009 attributable to ordinary equity holders of the parent Company of HK$32,409, 000 (six months ended 30 June 2008: net loss of HK$49,259,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2009 of 2,038,842,889 (six months ended 30 June 2008: 2,025,951,669).

The calculation of diluted earnings per share is based on the net profit for the six months ended 30 June 2009 attributable to ordinary equity holders of the parent company of HK$32,409,000.The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period of 2,038,842,889 as used in the basic earnings per share calculation and the weighted average number of ordinary shares of 6,555,388 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/(loss) per share are based on:

	The six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Earnings/(loss)		
Net profit/(loss) attributable to ordinary equity holders of the parent company, used in the basic earnings/(loss) per share calculation:	**32,409**	(49,259)

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,038,842,889**	2,025,951,669
Effect of dilution — weighted average number of ordinary shares — Share options	**6,555,388**	—
	2,045,398,277	2,025,951,669

A diluted loss per share amount for the six months ended 30 June 2009 has not been disclosed as no diluting events existed during that period.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Property, plant and equipment with a net book value of HK$351, 000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: HK$301,000), resulting in a loss on disposal of HK$344,000 (six months ended 30 June 2008: HK$297,000).

(b) During the six months ended 30 June 2009, buildings with a net carrying value of approximately HK$38,062,000 were transferred to investment properties since the relevant units in the office buildings have been leased out by the Group.

12. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**44,991**	44,991

The carrying value of the unlisted shares in subsidiaries is approximate to its fair value.

The amounts due from subsidiaries included in the Company's current assets of HK$221,328,000 (2008: HK$257,511,000) are unsecured, interest-free and repayable on demand or within one year.

Particulars of the subsidiaries are as follows:

Company	Place of registration and operation	Nominal value of issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Yulong Infotech Inc.	BVI/Mainland China	US$50,000	100	—	Investment holding
Digital Tech Inc.	BVI/Mainland China	US$10	100	—	Investment holding
Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.*	PRC/Mainland China	RMB403,000,000	—	100	Manufacture and sale of mobile phones
Coolpad Software Tech (Shenzhen) Co., Ltd.*	PRC/Mainland China	HK$10,000,000	—	100	Provision of product design and software development for mobile handsets
Dongguan Yulong Telecommunication Scientific Co., Ltd.**	PRC/Mainland China	RMB120,000,000	—	100	Provision of product design and software development for mobile handsets
Xi'an Coolpad Software Tech Co., Ltd.**	PRC/Mainland China	RMB8,000,000	—	100	Provision of product design and software development for mobile handsets

* Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. and Coolpad Software Tech (Shenzhen) Co., Ltd. were registered as wholly-foreign-owned enterprises under the PRC law.

** Dongguan Yulong Telecommunication Scientific Co., Ltd. and Xi'an Coolpad Software Tech Co., Ltd. were registered as co-operative joint ventures under the PRC law.

13. INTEREST IN AN ASSOCIATE

	Group	
	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Share of net assets	**8,506**	8,516

The carrying value of the interest in an associate is approximate to its fair value.

Particulars of the associate are as follows:

Company name	Place of incorporation/ registration and operations	Issued and fully paid-up registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Tendbloom Information Technology Co., Ltd.	PRC/Mainland China	RMB32,000,000		25	Research, development and sale of telecommunications related technologies

The above investment in an associate is indirectly held by the Company through a wholly-owned subsidiary.

The following table illustrates the summarised financial information of the Group's associate:

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Assets	**34,114**	34,157
Liabilities	**91**	91
Revenue	**–**	2,438
Profit/(loss)	**–**	(2,386)

On 3 February 2009, a resolution was passed by the associate's board of directors to wind up the associate. As of 30 June 2009, the associate was still under the winding up process.

14. INVENTORIES

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Raw materials	157,435	126,485
Work in progress	90,024	62,796
Finished goods	25,258	46,400
	272,717	235,681

15. 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 three months and may be extended to a longer credit term of four to six months for customers with a long term business relationship with the Group and good repayment history. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-Interest-bearing.

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

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Within 3 months	148,211	245,879
4 to 6 months	43,947	24,011
7 to 12 months	2,151	3
1 to 2 years	—	—
More than 2 years	6,010	6,018
	200,319	275,911
Less: Provision	(6,010)	(6,018)
	194,309	269,893

16. BILLS RECEIVABLE

An ageing analysis of the bills receivable as at the balance sheet date, based on the issue date, is as follows:

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Within 3 months	45,046	11,812

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Advances to suppliers	41,920	95,004
Prepayment for purchase of leasehold land	22,617	22,646
Prepaid expenses	2,007	2,034
Deposits and other receivables	57,838	50,238
Subsidy receivables	—	5,746
	124,382	175,668
Less: Non-current portion	(24,624)	(24,680)
Current portion	99,758	150,988

18. TRADE PAYABLES

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

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Within 3 months	131,153	143,721
4 to 6 months	6,216	12,533
7 to 12 months	6,125	2,730
More than 1 year	2,715	1,210
	146,209	160,194

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Current		
Bank loans — secured	**74,870**	177,185
Bank loans — unsecured	**63,526**	22,716
Import and trust receipt loans	**63,139**	64,185
Other borrowing	**—**	—
	201,535	264,086
Non-current		
Bank loans — secured	**220,074**	199,901
Bank loans — unsecured	**1,319**	1,380
	221,393	201,281
	422,928	465,367

	Company	
	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Current		
Import and trust receipt loans	**964**	53,863

20. SHARE CAPITAL

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Authorised:		
4,000,000,000 (2008: 4,000,000,000) ordinary shares of HK$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,048,680,000 (2008: 2,040,116,000) ordinary shares of HK$0.01 each	**20,487**	20,401

During the six months ended 30 June 2009, the movements in issued share capital were as follows:

(a) The subscription rights attached to 8,464,000 share options were exercised at the subscription price of HK$0.2175 per share, resulting in the issue of 8,464,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$1,841,000.

(b) The subscription rights attached to 100,000 share options were exercised at the subscription price of HK$0.4615 per share, resulting in the issue of 100,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$46,000.

21. SHARE OPTION SCHEME

Movements of the share options (the "Options") granted during the six months ended 30 June 2009 were as follows:

Name or category of participant	At 1 January 2009	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	Number of share options								HK$ per share
Employees									
In aggregate – granted on 20 June 2005	8,848,000	–	(8,464,000)	(384,000)	–	–	20-06-05	28-06-05 to 27-06-09	0.2175
In aggregate – granted on 27 July 2006	29,612,000	–	(100,000)	–	–	29,512,000	27-07-06	27-07-06 to 26-07-10	0.4615
In aggregate – granted on 27 July 2006	3,744,000	–	–	–	–	3,744,000	27-07-06	27-07-07 to 26-07-11	0.4615
In aggregate – granted on 18 September 2007	18,960,000	–	–	–	(368,000)	18,592,000	18-09-07	18-09-08 to 17-09-12	1.415
In aggregate – granted on 18 September 2007	3,456,000	–	–	–	–	3,456,000	18-09-07	18-09-10 to 17-09-14	1.415
In aggregate – granted on 20 May 2008	14,856,000	–	–	–	(1,128,000)	13,728,000	20-05-08	20-05-09 to 19-05-13	0.674
In aggregate – granted on 20 May 2008	4,120,000	–	–	–	(264,000)	3,856,000	20-05-08	20-05-10 to 19-05-14	0.674
In aggregate – granted on 20 May 2008	13,320,000	–	–	–	(1,200,000)	12,120,000	20-05-08	20-05-11 to 19-05-15	0.674
In aggregate – granted on 20 May 2008	3,584,000	–	–	–	(96,000)	3,488,000	20-05-08	20-05-14 to19-05-18	0.674
In aggregate – granted on 27 Feb 2009	–	5,784,000	–	–	–	5,784,000	27-02-09	27-02-10 to 26-02-14	0.397
In aggregate – granted on 27 Feb 2009	–	15,756,000	–	–	–	15,756,000	27-02-09	27-02-10 to 26-02-12	0.397
In aggregate – granted on 27 Feb 2009	–	4,464,000	–	–	–	4,464,000	27-02-09	27-02-10 to 26-02-11	0.397
In aggregate – granted on 27 Feb 2009	–	800,000	–	–	–	800,000	27-02-09	27-02-13 to 26-02-17	0.397
Directors									
In aggregate – granted on 27 July 2006	6,000,000	–	–	–	–	6,000,000	27-07-06	27-07-06 to 26-07-10	0.4615
In aggregate – granted on 18 September 2007	1,000,000	–	–	–	–	1,000,000	18-09-07	18-09-08 to 17-09-12	1.415
In aggregate – granted on 20 May 2008	3,000,000	–	–	–	–	3,000,000	20-05-08	20-05-10 to 19-05-14	0.674
In aggregate – granted on 27 Feb 2009	–	4,768,000	–	–	–	4,768,000	27-02-09	27-02-10 to 26-02-14	0.397
Subtotal	110,500,000	31,572,000	(8,564,000)	(384,000)	(3,056,000)	130,068,000			
Business consultants	8,000,000	–	–	–	–	8,000,000	18-09-07	18-09-10 to 17-09-14	1.415
Total	118,500,000	31,572,000	(8,564,000)	(384,000)	(3,056,000)	138,068,000			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of a share option is the amount that the employee is required to pay to obtain each share under the option.

21. SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company on 21 November 2004, certain classes of participants (including employees, consultants, advisers, suppliers or customers of the Group) may be granted options to subscribe for the shares of the Company.

On 27 February 2009, the Company granted options for the subscription of an aggregate of 31,572,000 shares pursuant to the terms of the Share Option Scheme. Each Option shall entitle the holder of the Option (the "Grantee") to subscribe for one Share upon exercise of such Option at an exercise price of HK$0.397 per Share as follows:

Among the total 31,572,000 Options, 192,000 Options were granted to each of the independent non-executive directors of the Company, namely Mr. Chan King Chung, Dr. Huang Dazhan, Mr. Yang Xianzu and Mr. Xie Weixin.

The Grantees shall exercise the Options during the following vesting period:

(a) The Grantees who were granted 24,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2011;

(b) The Grantees who were granted 28,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2012, divided into 2 vesting periods of 12 month each. The Grantees are allowed to exercise the Options to subscribe for a maximum of (i) 16,000 Shares during the first vesting period and (ii) 12,000 Shares during the second vesting period;

(c) The Grantees who were granted 32,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2012, divided into 2 vesting periods of 12 months each. The Grantees are allowed to exercise the Options to subscribe for a maximum of 16,000 Shares during each vesting period;

(d) The Grantees who were granted 48,000 Options shall exercise the Option during a period commencing on 27 February 2010 and expiring on 26 February 2012, divided into 2 vesting periods of 12 months each. The Grantees are allowed to exercise the Option to subscribe for a maximum of 24,000 Shares during each vesting period;

(e) The Grantees who were granted 60,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2014, divided into 4 vesting periods of 12 months each. The Grantees are allowed to exercise the Option to subscribe for a maximum of (i) 16,000 Shares during each of the first, second and third vesting periods and (ii) 12,000 Shares during the fourth vesting period;

(f) The Grantees who were granted 96,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2014, divided into 4 vesting periods of 12 months each. The Grantees are allowed to exercise the Options to subscribe for a maximum of 24,000 Shares during each vesting period;

(g) The Grantees who were granted 120,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2014, divided into 4 vesting periods of 12 months each. The Grantees are allowed to exercise the Options to subscribe for a maximum of (i) 32,000 Shares during each of the first and second vesting periods and (ii) 28,000 Shares during each of the third and fourth vesting periods;

21. SHARE OPTION SCHEME (continued)

(h) The Grantees who were granted 192,000 Options shall exercise the Options during a period commencing on 27 February 2010 and expiring on 26 February 2014, divided into 4 vesting periods of 12 months each. The Grantees are allowed to exercise the Options to subscribe for a maximum of 48,000 Shares during each vesting period.

(i) The Grantees who were granted 800,000 Options shall exercise the Options during a period commencing on 27 February 2013 and expiring on 26 February 2017, divided into 4 vesting periods of 12 months each. The Grantees are allowed to exercise the Options to subscribe for a maximum of 200,000 Shares during each vesting period;

(j) The Grantees who were granted 2,000,000 Options shall exercise the Options during a period commencing on 27 February 2013 and expiring on 26 February 2017, divided into 4 vesting periods of 12 months each. The Grantees are allowed to exercise the Options to subscribe for a maximum of 500,000 Shares during each vesting period.

Outstanding and unexercised Options at the end of each vesting period may be rolled over to the next vesting period(s) and exercisable during the relevant option period.

22. SHARE AWARD PLAN

On 3 March 2008, the Directors approved the adoption of a share award plan (the "Share Award Plan") to recognise and reward the contribution of certain employees to the growth and development of the Group through an award of the Company's shares. The Share Award Plan became effective on 3 March 2008 and will remain in force for 10 years from that date.

The Group has appointed a trustee (the "Trustee") for the purposes of administering the Share Award Plan. The Trustee will be notified by the directors in writing upon making of an award to an eligible employee under the Share Award Plan. Upon the receipt of such notice, the Trustee will set aside the appropriate number of awarded shares out of a pool of shares comprising the following:

(a) the Company's shares which will be purchased by the Trustee on the Stock Exchange at such times and prices as may be considered by the Trustee to be appropriate by utilising the fund to be paid by the Company to the Trustee;

(b) such shares as may be purchased by the Trustee on the Stock Exchange by utilising the funds allocated by the directors out of the Company's resources; and

(c) such shares which remain unvested and revert to the Trustee by reason of a lapse of an award.

The legal and beneficial ownership of the relevant awarded shares shall vest in the relevant selected employee within 10 business days after the latest of: (a) the date specified by the directors on the notice of the award (which shall not be earlier than the first business day immediately following the expiry of six months after the adoption date); (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related notice of award have been attained and notified to the Trustee by the directors in writing; and (c) where applicable, the date on which the Trustee has completed the purchase of shares for the purpose of making the relevant award.

During the reporting period, the Trustee has purchased a total number of 2,800,000 ordinary shares of the Company in cash at approximately HK$974,000, including transaction costs. As at 30 June 2009, none of these purchased shares was awarded.

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Within one year	20,471	19,051
In the second to fifth years, inclusive	20,779	28,335
	41,250	47,386

(b) As lessee

The Group leases certain of its warehouse premises and office properties under operating lease arrangements for terms ranging from two 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 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Within one year	4,720	6,472
In the second to fifth years, inclusive	3,579	9,332
	8,299	15,804

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23(b) above, the Group had the following capital commitments at the balance sheet date:

	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
Contract, but not provided for:		
Patents and licences	**11,456**	4,318
Land and buildings	**29,635**	22,571
	41,091	26,889

At the balance sheet date, the Company had no significant capital commitments.

25. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group nor the Company had any significant contingent liabilities.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instrument as at the balance sheet date are as follows:

Group

Financial assets

	30 June 2009 Loans and receivables HK$'000 (Unaudited)	31 December 2008 Loans and receivables HK$'000 (Audited)
Trade receivables	**194,309**	269,893
Bills receivables	**45,046**	11,812
Financial assets included in prepayments, deposits and other receivables	**57,838**	55,984
Pledge time deposits	**33,443**	69,533
Cash and cash equivalents	**165,540**	124,915
	496,176	532,137

26. FINANCIAL INSTRUMENTS BY CATEGORY

Group

Financial liabilities

	30 June 2009 Financial liabilities at amortised cost HK$'000 (Unaudited)	31 December 2008 Financial liabilities at amortised cost HK$'000 (Audited)
Trade payables	146,209	160,194
Bills payables	—	88,158
Financial liabilities included in other payables and accruals	131,367	92,803
Interest-bearing bank and other borrowings	422,928	465,367
Due to an associate	7,404	6,951
	707,908	813,473

Company

Financial assets

	30 June 2009 Loans and receivables HK$'000 (Unaudited)	31 December 2008 Loans and receivables HK$'000 (Audited)
Due from subsidiaries	221,328	257,511
Deposits and other receivables	534	439
Pledge time deposits	13,000	25,000
Cash and cash equivalents	4,763	3,473
	239,625	286,423

26. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial liabilities

	30 June 2009 Financial liabilities at amortised cost HK$'000 (Unaudited)	31 December 2008 Financial liabilities at amortised cost HK$'000 (Audited)
Other payables	–	230
Interest-bearing bank and other borrowings	964	53,863
	964	54,093

27. POST BALANCE SHEET EVENT

After the balance sheet date, the Board declared an interim dividend. Further details are disclosed in Note 9.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 1 September 2009.