

Chairman's Statement

Guo Deying
chairman



Chairman's Statement



On behalf of the board ("Board") of directors ("Directors") of China Wireless Technologies Limited (the "Company"), I am pleased to present to all shareholders ("Shareholders") the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2005.

OPERATING RESULTS

The Group achieved great growth in 2005. Total revenue for the year 2005 under review increased by 44.2% to HK\$354.0 million compared with the same period last year. The revenues from smartphones increased by 86% to HK\$325.6 million in 2005 from HK\$175.4 million of 2004.

The Group recorded gross profit of HK\$124.1 million, representing an increase of 24.9% as compared with 2004.

The Group's audited net profit for the year ended 31 December 2005 was HK\$50.9 million, an increase of 16.5% from last year. Basic and diluted earnings per share for the year ended 31 December 2005 were HK\$0.127 and HK\$0.126, respectively.

DIVIDENDS

The Board of Directors recommended the payment of a final dividend of HK\$0.02 per share for the year ended December 31, 2005. The Group had paid an interim dividend of HK\$0.01 per share during 2005. The proposed final dividend will be subject to approval by Shareholders at the forthcoming annual general meeting of the Company and, if approved, is expected to be paid on or before 8 June 2006 to shareholders whose names appear on the register of members of the Company on as at the close of business on 15 May 2006.

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BUSINESS REVIEW

As a leading wireless data total solutions provider for the wireless telecommunication market in China, the Group offers innovative products and personalized solutions to fulfill the demands of different clients and different industries.

To consolidate its leading position in wireless data total solutions in the PRC, the Group further strengthened its research and development on wireless data total solutions, consolidated its relationships with mobile communication operators in China, adopted the strategy of developing and marketing tailor-made smartphones and wireless data total solutions, expanded its corporate clientele and high-end subscribers and developed new wireless data applications. As a result, the Group recorded encouraging returns.

During the reporting period, the Group further strengthened the research and development of dual-mode series smartphones. Following the launch of the "Coolpad" 858 dual-mode smartphone in the first half of 2005, which was ordered in batches by China Unicom, towards the end of 2005 the Group successfully developed the "Coolpad" 728 GSM-CDMA dual-mode smartphone which allows two SIM cards of GSM and CDMA networks respectively to work simultaneously, which is the first of its kind in the world. The powerful functions of the "Coolpad" 728 GSM-CDMA dual-mode smartphone earned, the Group won a large order from China Unicom.

The Group also actively explored the corporate market, offering integrated solutions from back-end system to wireless intelligent terminals with propriety operating system for various industries, and achieved outstanding performances in serving the public security, aviation, securities, industrial and commercial sectors.

The Group's "Coolpad" brand leads in the wireless data market and enjoys high reputation in high-end smartphone market. In addition, the "Coolpad" brand is becoming popular in global mobile telecommunication market.

BUSINESS OUTLOOK

In 2006, the Group will further perfect the smartphone operating systems including Linux and Windows CE operating systems to expand various applications, which will allow it to launch new smartphone series to cater for the demand of different clients and industries. The Group will keep itself abreast of the 3G technologies to strengthen the research and development of 3G wireless data total solutions, 3G multimedia data platform and 3G network coverage systems. The Group will strengthen the research and development of TD-SCDMA 3G smartphones and will mainly focus on the TD-SCDMA-GSM dual-mode smartphones. In addition, the Group also actively cooperated with Qualcomm Incorporated (Nasdaq: QCOM) for research and development of CDMA2000 smartphones and cooperated with Texas Instruments Incorporated (NYSE:TXN) for WCDMA smartphones.

The Group will continue to broaden its market coverage by consolidating existing markets while developing new ones, strengthen partnerships and expand its industry clientele. Whilst the Group will further consolidate its close relationships with telecom operators in China and provide high value-adding

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and tailored products and services required by these operators, it will also place more emphasis on overseas development. During the reporting period, the Group's smartphones were tested and exhibited in India and Germany. Through these exhibitions, the Group further enhanced its reputation in the global market.

Besides the close cooperation with China Unicom, the Group is actively cooperating with China Telecom and China Netcom for the research and development of TD-SCDMA-GSM dual-mode smartphones and TD-SCDMA coverage system. It is expected that the TD-SCDMA coverage system and TD-SCDMA-GSM dual-mode smartphones may generate turnover from the first half of 2007.

ACKNOWLEDGEMENTS

On behalf of the Board and the management, I would like to take this opportunity to express my cordial thanks to all the Shareholders, clients and business partners for their support and our staff for their hard work in the past year, which contributed to the outstanding performance of the Group. We will strive to provide our clients with the best products and services and bring maximum returns to the Shareholders.

Guo Deying

Chairman

China Wireless Technologies Limited

Hong Kong, 12 April 2006