



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

20 December 2010

The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) censures the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”):

- (1) China Wireless Technologies Limited (the “Company”) (stock code: 2369);**
- (2) Mr Guo Deying, an executive director and the Chairman of the Company (“Mr Guo”); and**
- (3) Mr Jiang Chao, an executive director of the Company (“Mr Jiang”).**

Facts

Before the six months ended 30 June 2008 (“**Interim Period**”), the Company had been profit-making. The Group recorded a profit of \$124.6 million for the six months ended 30 June 2007 and \$167.5 million for the year ended 31 December 2007.

In April 2008, the Group’s turnover dropped sharply causing a substantial loss as reflected in its April management accounts, turning the Group’s overall position from profit to loss. The drop in sales resulted largely from decrease in orders of the Group’s Code Division Multiple Access technology (“**CDMA**”) products from China Unicom Limited (“**China Unicom**”), a major customer of the Group.

The Company became aware in or about April 2008 of a proposed restructuring in the PRC telecommunications industry (“**Telecom Reform**”). This Telecom Reform, subsequently announced by the PRC authorities on 24 May 2008, included disposal of China Unicom’s CDMA business to China Telecom Corporation Limited (“**China Telecom**”). The Company asserted that it anticipated that the Telecom Reform would be completed in two to three months. The executive directors believed it was possible that sales would pick up in May or June 2008 to improve the overall results for the Interim Period if and when China Telecom started to order CDMA products from the Group.

By 26 May 2008, the executive directors of the Company became aware of a substantial loss of approximately \$18 million in April 2008 from the management accounts for that month.

On 2 June 2008, China Unicom published an announcement disclosing its agreement with China Telecom for the proposed disposal of its CDMA business to China Telecom, giving a timeframe for the proposed transaction that extended months beyond the end of the Interim Period.

By 27 June 2008, the executive directors became aware of the continuing substantial loss from business operations from receipt of the May 2008 management accounts.

Between 11 and 14 July 2008, all Directors received the Group's consolidated and HKFRS-adjusted May 2008 management accounts which recorded a \$81.7 million loss ("**May 2008 Accounts**"). At the Board meeting on 15 July 2008, the May 2008 Accounts were reviewed and the Board resolved to publish a profit warning announcement as soon as possible.

However, the Company did not publish its profit warning announcement until 30 July 2008 at 1:26 pm, stating that the Company's unaudited consolidated results for the Interim Period "will record a loss". The closing price of the Company's shares on that day dropped (a) approximately 11.34 per cent compared to previous day's closing price; and (b) 22 per cent compared to the highest price in the morning trading session on 30 July 2008. Trading volume on 30 July 2008 was over 10 times the 10-day average trading volume.

On 27 August 2008, the Company announced the results for the Interim Period, which recorded a loss of \$49.3 million (compared to \$124.6 million profit recorded in the 2007 interim results).

Applicable Rules and breaches

Rule 13.09 requires issuers to disclose, as soon as reasonably practicable, any information which (a) is necessary to enable shareholders and the public to appraise the position of the group; (b) is necessary to avoid the establishment of a false market in the Company's securities; or (c) which might be reasonably expected materially to affect market activity in and the price of its securities.

Note 11(ii) to Rule 13.09 states that the disclosure obligation must be discharged without delay where to the knowledge of the directors there is such a change in the Company's financial condition or in the performance of its business or in the issuer's expectation of its performance that knowledge of the change is likely to lead to substantial price movement.

From the submissions made by the Company and its Directors, the Division takes the view that the Company was obliged to publish a profit warning announcement without delay when the significant business deterioration from the April management accounts became clear on 26 May 2008, alternatively on 2 June 2008 or 27 June 2008, and in any event no later than 15 July 2008.

As the Company only published its profit warning announcement on 30 July 2008, the Division is of the view that the Company has breached Rule 13.09(1) of the Listing Rules.

Each of Mr Guo and Mr Jiang has undertaken to the Exchange to use his best endeavours to procure the Company's compliance with the Listing Rules. The Division considers that Mr Guo and Mr Jiang, both executive directors and the only directors having knowledge of the significant deterioration in the Group's business and overall performance from 26 May 2008, had caused or failed to prevent the Company's breach of Rule 13.09 and have therefore breached their Undertaking to the Exchange.

Settlement

As a consequence of a settlement,

1. the Company does not contest the Division's assertion of its breach of Rule 13.09(1) of the Listing Rules regarding the delay in publishing the profit warning announcement;
2. both Mr Guo and Mr Jiang do not contest the Division's assertion of their respective breach of Undertaking to use best endeavours to procure the Company's Listing Rule compliance, in that having knowledge of the substantial deterioration in the Group's business and overall performance from 26 May 2008, they have failed to procure disclosure of such deterioration under Rule 13.09(1); and
3. the Company, Mr Guo and Mr Jiang accept the sanctions and directions imposed upon them by the Listing Committee set out below.

Sanction

The Listing Committee:

1. censures the Company for its breaches of Rule 13.09(1); and
2. censures Mr Guo and Mr Jiang for their respective breaches of Undertaking for failing to use their best endeavours to procure the Company's compliance with the Listing Rules referred to above.

Further, the Listing Committee directs as follows:

- (1) that the Company appoint an independent professional adviser satisfactory to the Division on an ongoing basis for consultation on Listing Rule compliance ("**Compliance Adviser**") for a period of two years, within two weeks from the date this press release is published. The Company is to submit the proposed scope of retainer to the Division for comment before appointment of the Compliance Adviser. The Compliance Adviser shall be accountable to the Company's audit committee;
- (2) that each of Mr Guo and Mr Jiang, who is a current director of the Company, (a) undergo 24 hours of training covering 8 core topics together with 4 hours on continuing obligations (including Rule 13.09(1) disclosure obligations) provided by Hong Kong Institute of Chartered Secretaries, Hong Kong Institute of Directors or other course providers approved by the Division, to be completed within 90 days from the publication date of this press release; and (b) provide the Division with the training provider's written certification of full compliance with this training requirement within two weeks after full compliance; and

- (3) that the Company publish an announcement to confirm full compliance with each of the directions set out in (1) and (2) above within two weeks after the respective fulfillment of each of the directions. The Company is to submit drafts of the announcements for the Division's comment and may only publish the announcements after the Division has confirmed it has no further comment on them. The last announcement required to be published under this requirement is to include the confirmation that the directions at (1) and (2) above have been fully complied with.

For the avoidance of doubt, the Exchange confirms that the above censure applies only to the Company, Mr Guo and Mr Jiang, and not to any other past or present member of the Company's Board of Directors.