

The flotation will also enhance the company's image and contribute positively to future co-operation with partners

# Listing provides resources for growth drive

Reports by **Kenneth Ko**

**CHINA WIRELESS** Technologies starts a new chapter today as its shares debut on the Stock Exchange of Hong Kong.

As a publicly-listed company, the wireless solution and equipment provider is riding the strong growth momentum of the mainland's telecommunications industry to expand its business.

Chairman and chief executive officer Guo Deying said the liberalisation of the mainland market was boosting wireless data flows and opening up a lot of opportunities.

To position itself better for the future, China Wireless – originally a privately-held enterprise based in Shenzhen – raised funds through a share placement and public offering.

Mr Guo said the public listing provided the company with the resources to expand and maintain its lead position in the industry. The move would also lift its corporate image, which would in turn contribute positively to business development and co-operation with partners, he said.

With the public listing, the standards of management were being upgraded at the same time as the company's practices were becoming more transparent and subject to public scrutiny, he said.

By going public, the group has raised a substantial amount of capital to fund expansion. The net proceeds of the listing will go mainly towards the strengthening

of its research and development capabilities, the manufacturing and marketing of its smartphones, and the promotion of its corporate image.

Mr Guo said the "mobile office" concept was being adopted by an increasing number of companies in a variety of industries, giving rise to growing demand for wireless communications solutions and handheld devices that interfaced with back-end office systems.

The group was committed to research and development, focusing in particular on its proprietary operating system, Linuos and enterprise communications solutions, he said.

With Linuos and its core wireless communications technologies, the group provides custom-built, end-to-end communications solutions for

enterprises, allowing employees to communicate and exchange information seamlessly with the office using handhelds.

The group has provided tailor-made applications for clients in a diverse range of areas, including stock broking, aviation, land transport and law enforcement on the mainland.

Anticipating stronger growth in this business area, Mr Guo said the company was exploring opportunities in various other industries, such as banking, logistics and insurance.

He expected surging demand for integrated wireless communications solutions would make this business area the major driving force behind the group's expansion.

The group also envisages substantial growth potential in its smartphone products in the short to medium term.

Mr Guo said the smartphone market was still in its infancy but offered significant growth as a productivity tool for office workers, especially as the cost of producing such handhelds fell.

"As the market penetration increases with more sophisticated applications and the lowering of costs, demand will be ignited."

Smartphone sales are expected to contribute to more than 55 per cent of the company's turnover this year, a sharp increase from last year's 11.9 per cent, and Mr Guo expected this trend to continue.

China Wireless aims to focus on the provision of smartphones under its own brand, Coolpad, to high-end users or corporations using the group's enterprise solutions.

"People are willing to pay more for better quality, higher value-added products," Mr Guo said.

In view of the smartphone market's alluring prospects, more companies were expected to join the fray, Mr Guo said, but he was confident his company could fend off the challenge.

"We have the first-mover advantage with a firmer grip on the technology, the provision of wireless system solutions and a good understanding of customers needs."

The stiffer competition could also generate new business opportunities for China Wireless through the licensing of its proprietary technologies to new entrants, he said.

"This represents a big opportunity for us [as many companies that want to enter the market may not have the design capabilities]," he said.

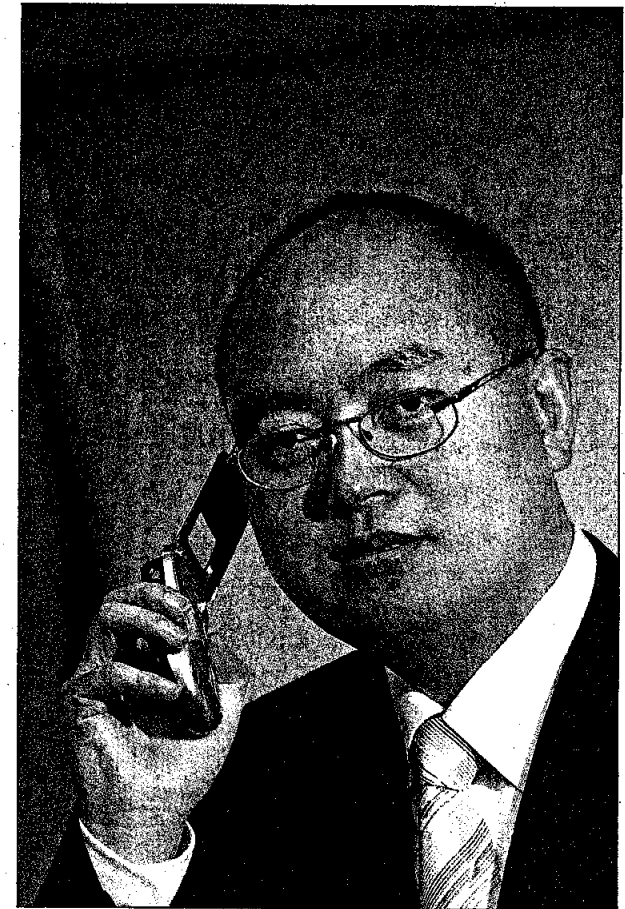
The company is in negotiation with hardware companies about software licensing agreements.

The group's research and development team has 230 staff. Mr Guo said it planned to recruit more professionals to join the division and acquire equipment.

About \$25 million of the money raised from the listing will be used in research and development of smartphones and related industry applications, as well as for the enhancement of wireless coverage.

Another \$25 million from the listing will be reserved for the manufacturing and marketing of smartphones.

The company said it will also spend about \$9 million on advertising.



Guo Deying says the R&D team will expand. Photo: Antony Dickson

## Turnover and profitability soar

Strong demand for its products and data solutions has driven the business growth and profitability of China Wireless Technologies.

In the past three years, the group's turnover showed a compound growth rate of about 38 per cent per annum. Last year's turnover was 161.5 million yuan, compared with 101.3 million yuan in 2002 and 84.8 million yuan in 2001.

Net profit of the group has grown by a remarkable 70 per cent compound rate per annum in three years. It recorded a net profit of 39.2 million yuan last year, compared with 32.7 million yuan in 2002 and 13.6 million yuan in 2001. The group is forecasting a profit of at least 46 million yuan this year.

Founded in 1993, China Wireless has developed into a one-stop provider of wireless communication solutions, from back-end systems to a variety of wireless terminals, with the self-developed Linuos operating system.

All of its terminal products, including smartphones, are marketed under its brand name Coolpad. The group is also a pioneer in the launch of the dual-mode smartphone in China.