

Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

CHINA WIRELESS COMMUNICATIONS INC  
Form 10QSB  
November 14, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 333-49388

CHINA WIRELESS COMMUNICATIONS, INC.

-----  
(Exact name of small business issuer as specified in its charter)

Nevada

91-1966948

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

1746 Cole Boulevard, Suite 225, Golden, Colorado 80401-321

-----  
(Address of principal executive offices)

(303) 277-9968

-----  
(Issuer's telephone number)

-----  
(Former name, former address and former fiscal year, if changed  
since last report)

Check whether the issuer: 1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12  
months (or for such shorter period that the registrant was required to file such  
reports, and (2) has been subject to such filing requirements for the past 90  
days. Yes  No

State the number of shares outstanding of each of the issuer's classes of common  
equity, as of the latest practicable date:

23,170,614 shares of Common Stock, \$0.001 par value,  
as of November 13, 2003

Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

Transitional Small Business Disclosure Format (check one); Yes [ ] No [X]

China Wireless Communications, Inc.

Index

Part I. Financial Information

Item 1. - Financial Statements

- Condensed Consolidated Statements of Operations (Unaudited) for the Period from August 13, 2002 (inception) to September 30, 2002 and three Months and Nine Months Ended September 30, 2003.....3
- Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2003.....4
- Condensed Consolidated Statement of Stockholders' Deficit (Unaudited).....5
- Consolidated Condensed Statements of Cash Flows (Unaudited) for the Period from August 13, 2002 (inception) to September 30, 2002 and three Months and Nine Months Ended September 30, 2003.....6
- Notes to and Forming Part of the Condensed Financial Statements (Unaudited).....7

Item 2. - Management's Discussion and Analysis or Plan of Operations.....10

Item 3. - Controls and Procedures.....13

Part II. Other Information

Item 1. - Legal Proceedings .....14

Item 2. - Changes in Securities.....14

Item 3. - Defaults Upon Senior Securities .....14

Item 4. - Submission of Matters to a Vote of Security Holders .....14

Item 5. - Other Information .....14

Item 6. - Exhibits and Reports on Form 8-K .....14

Signatures .....15

Certifications.....16

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

Condensed Consolidated Statements of Operations (Unaudited)  
As of September 30, 2003

	Period from August 13, 2000 (inception) to September 30, 2002 US\$	Three months ended September 30, 2003 US\$	Nine months ended September 30, 2003 US\$	Period fr August 1 2002 (incepti to Septemb 30, 200 US\$
Operating revenue		13,282	17,341	17,
Cost of Sales		10,180	13,572	13,
Gross profit		3,102	3,769	3,
Operating expenses				
General and administrative expenses	39,629	645,422	2,420,558	3,436,
Depreciation expense		2,741	6,707	6,
	39,629	648,163	2,427,265	3,442,
Loss from operations	(39,629)	(645,061)	(2,423,496)	(3,438,
Non-operating (expenses) income				
Interest expenses		2,858	(427)	(
Other income, net		207	207	
Total non-operating (expenses) income		3,065	(220)	
Loss before income taxes	(39,629)	(641,996)	(2,423,716)	(3,438,
Income taxes	--	--	--	
Net loss	(39,629)	(641,996)	(2,423,716)	(3,438,
Net loss per share of common stock:				
Basic	(0.0018)	(0.0292)	(0.1118)	(0.1

Page 3 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

Condensed Consolidated Balance Sheet (Unaudited)  
As of September 30, 2003

Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

ASSETS	US\$
	-----
Current assets	
Cash and cash equivalents	56,354
Prepaid expenses	6,052
Due from a related party	60,000
Deposits	34,876
Accounts receivable	108,515
	-----
Total current assets	265,797
Property, plant and equipment, net	230,325
	-----
Total assets	496,122
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accrued expenses and other accrued liabilities	825,710
Note payable	189,600
Convertible debt	41,000
	-----
Total liabilities	1,056,310
	-----
Commitments and contingencies	
Stockholders' deficit	
Common stock, par value US\$0.001 each, 100,000,000 shares of stock authorized, 23,170,614 shares of stock issued and outstanding	23,171
Additional contributed paid-in capital	2,855,356
Accumulated deficit	(3,438,715)
	-----
Total stockholders' deficit	(560,188)
	-----
Total liabilities and stockholders' deficit	496,122
	=====

Page 4 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

Condensed Consolidated Statement of Stockholders' Deficit (Unaudited)  
As of September 30, 2003

Common stock		Additional contributed paid-in capital US\$	Accumulated deficit US\$
Number	Amount US\$		
-----	-----	-----	-----

Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

As of August 13, 2002 - inception (Note)	21,500,000	21,500	2,353,850	--
Net loss for the period	--	--	--	(1,014,999)
As of December 31, 2002	21,500,000	21,500	2,353,850	(1,014,999)
Net loss for per period	--	--	--	(1,304,115)
Balance as of March 31, 2003	21,500,000	21,500	2,353,850	(2,319,114)
Common stock issued for services at US\$0.25 per share	452,000	452	112,548	--
Net loss for the period	--	--	--	(477,605)
Balance as of June 30, 2003	21,952,000	21,952	2,466,398	(2,796,719)
Common stock issued for services 107,660 at US\$0.56 per share, 110,954 at US\$0.72 per share 1,000,000 at US\$0.25 per share	1,218,614	1,218.61	388,957.87	
Net loss for the period				(641,996)
Balance as of September 30, 2003	23,170,614	23,171	2,855,356	(3,438,715)

Note: The common stock issued and outstanding at inception represents shares in issue immediately after the recapitalization of Strategic Communications Partners, Inc. on March 22, 2003, assuming that the recapitalization has been in existence since the inception of the surviving entity. For details of the recapitalization, please refer to note 1 to these financial statements.

# Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows  
As of September 30, 2003

	Period from August 13, 2000 (inception) to September 30, 2002 US\$ -----	Three months ended September 30, 2003 US\$ -----
Cash flows from operating activities:		
Net loss	(39,629)	(641,996)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		2,742
Common stock issued for compensation	12,850	390,176
Changes in working capital:		
Accounts Receivable		(102,912)
Deposits		(3,705)
Prepaid expenses		(2,552)
Accrued expenses and other accrued liabilities	47,000	533,487
	-----	-----
Net cash used in operating activities	20,221	175,240
	-----	-----
Net cash used in investing activities		
Acquisition of property, plant and equipment	(500)	(136,800)
i-Track and Strategic Communications Partners, Inc. merger		
Advances to a related party		12,731
	-----	-----
Net cash used in investing activities	(500)	(124,069)
	-----	-----
Net cash provided by financing activities		
Proceeds from issuance of common stock		
Proceeds from issuance of notes payable		
Proceeds from issuance of convertible debt		
Repayment of notes payable		
	-----	-----
Net cash provided by financing activities		
	-----	-----
Net (decrease) increase in cash and cash equivalents	19,721	51,171
Cash and cash equivalents, as of beginning of the period		5,183
	-----	-----
Cash and cash equivalents, as of end of the period	19,721	56,354
	=====	=====

# Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

Analysis of balances of cash and cash equivalents		
Bank balances	19,721	56,354
	=====	=====
Non-cash operating, investing and financing activities		
Common stocks issued for compensation	12,850	390,176
	=====	=====

Page 6 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

Notes to and Forming Part of the Condensed Financial Statements (Unaudited)  
Three Months and Nine Months Ended September 30, 2003

---

## 1. BASIS OF PRESENTATION

The accompanying financial data as of September 30, 2003 and for the three and nine months then ended have been prepared by China Wireless Communications, Inc. (the "Company"), without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's filings on Form 10-KSB dated December 31, 2002.

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

In the opinion of the management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows of the Company have been made. The results of operations for the nine months ended September 30, 2003 are not necessarily indicative of the operating results for the full year.

Effective March 22, 2003, pursuant to a Share Exchange Agreement, China Wireless Communications, Inc., (formerly I-Track, Inc.) acquired Strategic Communications Partners, Inc., a Wyoming corporation ("SCP"), resulting in the shareholders and management of SCP having actual and effective control of the Company, the surviving corporation. For accounting purposes, the transaction was treated as an acquisition of the Company by SCP and as a recapitalization of SCP. The historical financial statements prior to the acquisition became those of SCP even though they were labeled as those of the Company. In the recapitalization, historical shareholders' equity of the Company, prior to the merger, was retroactively restated for the equivalent number of shares received in the merger with an offset to paid-in capital. Operations prior to the merger were those of SCP. Basic loss per share prior to the merger was restated to reflect the number of equivalent

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

shares received by the shareholders of SCP. The acquisition, although a purchase, was presented as a reverse acquisition.

### 2. PREPARATION OF FINANCIAL STATEMENTS

The Company is in the development stage and has incurred losses of US\$3,438,715 since inception, which raise substantial doubt about the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the successful implementation of its business plan and ultimately achieving profitable operations. However, there can be no assurance that the business plan will be successfully implemented. The inability of the Company to implement the business plan successfully could adversely impact the Company's business and prospects.

Page 7 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

Notes to and Forming Part of the Condensed Financial Statements (Unaudited)  
Three Months and Nine Months Ended September 30, 2003

---

### 3. NEW ACCOUNTING POLICIES

#### (a) Revenue recognition

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 101, "Revenue recognition in financial statements", when the title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable, and collectability is reasonably assured. Services revenue is recognized when the services are provided.

#### (b) New accounting pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). FIN No. 46 applies to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds an interest that it acquired before February 1, 2003. Management is currently assessing the impact of adoption of the FIN No. 46 on its consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The SFAS No.150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity and requires that those instruments be classified as liabilities in statements of financial position. In addition to its requirements for the classification and measurement of financial instruments in its scope, SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are



## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

mandatorily redeemable. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Management is currently assessing the impact of adoption of this statement on its consolidated financial statements.

### 4. LOSS PER COMMON STOCK

Weighted average number of shares of common stock outstanding used in the calculation of basic loss per share for the three months and nine months ended September 30, 2003 and for the period from August 13, 2002 (inception) to September 30, 2003 are 22,018,229 shares, 21,681,264 shares and 21,619,529 shares respectively.

The Company had no common equivalent shares with dilutive effect for all periods presented and, accordingly, the basic and diluted loss per share are the same.

Page 8 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

Notes to and Forming Part of the Condensed Financial Statements (Unaudited)  
Three Months and Nine Months Ended September 30, 2003

---

### 5. POST BALANCE SHEET EVENT

The Company's last extension agreement with Goldvision expired on September 5, 2003. In late October 2003, the Company made the decision not to ask for a further renewal under this agreement. In March 2003, the Company signed an agreement with Goldtel, the subsidiary of Goldvision, which holds the licenses to provide high-speed wireless broadband and ISP services. This agreement is only cancelable upon the written mutual consent of both parties. The Company does not expect that any interruption will occur in the business services that it is providing to its existing and future clients in providing its high-speed wireless broadband services.

On October 16, 2003, the Company announced the successful trial installation for a phone cafe project with China Satellite Communication Beijing Branch. The Company is finalizing negotiations with China Satellite Communication Corporation to connect 50 phone cafes to their backbone network across the city of Beijing. This successful installation facilitates completion of this contract.

On November 6, 2003, the Company signed a strategic alliance agreement with a large Beijing-based Internet Service Provider - Beijing Fiber Networking Limited Corporation. The two companies will cooperate in marketing and sales of broadband access services, making best use of their respective resources.

Page 9 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

Item 2. Management's Discussion and Analysis or Plan of Operation

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

### Forward-looking statements

Included in this report are various forward-looking statements, which can be identified by the use of forward looking terminology such as "may", "will", "expect," "anticipate," "estimate," "continue," "believe," or similar words. We have made forward-looking statements with respect to the following, among others: our goals and strategies; our expectations related to growth of our broadband internet, content and wireless access and transport in China and the performance under our agreements; Our ability to obtain and operate licenses and permits to operate in China; our ability to earn sufficient revenues in China; the importance and expected growth of satellite communications, broadband internet, content and wireless access and transport in China and the demand for these services in China; our ability to continue as a going concern; and our future performance and our results of operations. These statements are forward looking and reflect our current expectations. We are subject to a number of risks and uncertainties, including but not limited to, changes in the economic and political environments in China, economic and political uncertainties affecting the capital markets, changes in technology, changes in satellite communications, broadband internet, content and wireless access and transport in the marketplace in China, competitive factors and other risks described in our annual report on Form 10-KSB which has been filed with the United States Securities and Exchange Commission. In light of the many risks and uncertainties surrounding the Company, China, and the satellite communications, broadband internet, content and wireless access and the transport marketplace in China, you should keep in mind that we cannot guarantee that the forward-looking statements described in this report will transpire and you should not place undue reliance on forward-looking statements.

### Overview

On March 22, 2003, I-Track Inc., a company quoted on the primary exchange of the US OTC ("Over the Counter Bulletin Board") acquired Strategic Communications Partners, Inc., a Wyoming corporation ("SCP"), through a Share Exchange Agreement, resulting in the shareholders and management of SCP having actual and effective control of I-Track Inc. On March 24, 2003, I-Track Inc. changed its name to China Wireless Communications, Inc ("CWC") to better reflect the business activities of the Company.

We are a facilities-based provider of broadband data, video and voice communications services to customers that are not served by existing fiber networks. We typically deliver our services over fixed wireless networks that we design, construct, own and operate. Over this infrastructure, we will offer ultra high-speed Internet access, and other broadband data services. Our complete solution offering includes systems integration and other telecom professional services.

### Strategic Communications Partners, Inc.

SCP was incorporated in the State of Wyoming on August 13, 2002 and is a wholly owned subsidiary of CWC. It provides financial, technical, and marketing services for its operation in Beijing, People's Republic of China ("PRC"). Strategic Communications Partners Limited ("SCPL") is a subsidiary of SCP. SCPL was incorporated in Hong Kong on December 9, 2002. SCPL's operation to date consists solely of supporting the Beijing operations.

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

On December 18, 2002, SCP entered into agreements with Goldvision, a company incorporated in the PRC, which is engaged in the business of providing satellite communication, broadband internet, content, wireless access and transport in Beijing, whereby SCP was to earn an initial 18% equity interest in Goldvision by paying \$4,800,000 with the purchase price to be paid prorata over 12 months from the effective date of the agreement, which is February 18, 2003. SCP was to have an 18% equity interest in Goldvision after these payments. SCP could have acquired an additional 6% equity interest in Goldvision by contributing \$2,400,000 over a period of 12 months after the purchase of the initial interest. Under these agreements, SCP was to have received 49% of all future net revenues from the sale of all services.

On March 14, 2003, the Company signed an agreement with the subsidiary of Goldvision, Goldtel, which holds the licenses used to sell its high-speed wireless broadband services. This agreement allows the Company to market and sell all services which the licenses held by Goldtel may be used to provide. This agreement is only cancelable upon the written mutual consent of both parties.

On August 5, 2003, an extension agreement was entered into between SCP and Goldvision to extend the due dates of the Investment Contract signed December 18, 2002 through September 5, 2003.

In October 2003, the Company decided not to request an additional extension of the Investment Contract dated December 18, 2002 after expiration date of September 5, 2003. The Company anticipates that it will continue to provide services under the March 14, 2003 Agreement. The Company is no longer liable to provide any capital to Goldvision under these prior agreements.

On March 4, 2003, SCPL set up a wholly owned foreign enterprise, Beijing In-Touch Information System Co. Ltd ("In-Touch") in the PRC. In-Touch is a facilities based provider of broadband data, video and voice communications services to customers that are not served by existing landline connectivity.

In-Touch has commenced operations in Beijing, through cooperation with local telecommunications operators. In-Touch currently is involved in the business of telecommunication system integration—primarily providing wireless local area networks to complement its broadband wireless, VPN's and other wireless access, transport and enhanced data services. In-Touch provides the marketing, technical, and support services for to Beijing Wireless Internet Network (BWIN). BWIN is the broadband wireless subsidiary of Goldvision. BWIN was chartered by the PRC to provide a fixed broadband wireless network in Beijing. BWIN has deployed a 155Mb wireless loop backbone in Beijing's business district. BWIN also owns over 7 Ghz of additional spectrum scattered over several frequencies, available for use in Beijing.

As of September 30, 2003, SCP has four employees, all of whom are full-time in the United States. As of September 30, 2003, In-Touch in Beijing has 48 full-time employees. None of our employees is covered by a collective bargaining agreement.

### Alliances and Partnerships

We are in the midst of developing a technologically advanced wireless network to serve areas in Beijing. In order to effectively deploy the broadband wireless network, we need to partner with companies whose business and products are complimentary to those of the Company.

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

(A Development Stage Company)

On July 8, 2003, the Company concluded a strategic alliance with WPCS International Incorporated to support the expansion of the Company's broadband wireless network in Beijing, China. The alliance calls for WPCS to provide wireless products and design services to the Company on a needed basis.

On August 14, 2003, the Company signed a cooperative agreement with P-Com, Inc. to develop a broadband wireless network within China. P-Com will provide equipment and support for their line of wireless products to the Company to assist in building a wireless broadband network in China. The Company will use its marketing resources and sales platform to recommend and popularize the products of P-Com.

On August 15, 2003, the Company signed a contract with MCI. This contract permits the Company to extend the reach of its Broadband Wireless Access Network in Beijing, China. The Company will be adding MCI International ATM [asynchronous transport mode] services to reach North America, South Pacific, Asian and European markets to its existing suite of broadband network offerings.

Alliances and partnerships with Tier One Telecom Carriers form the Company's important strategies in China. Current broadband access providers in China are searching for economically viable ways to connect more end users to their backbones and to direct more traffic to their underutilized networks. We provide services meeting this growing demand. Over the last few months we have entered into an agreement with China Netcom to cooperate in building out network to serve its customers. We expect this and other such partnerships to help us enter and develop in China's highly regulated telecom sector successfully as a foreign invested enterprise.

Over the last few months we have formed strategic alliances and partnerships with manufacturers of various electronic products associated with networking business. On August 5, 2003, we signed a distribution agreement with BATM Advanced Communications. On August 21, 2003, we signed an agreement with Rongji Enterprise to distribute RJ-iTOP default network scanning system used to protect wireless broadband networks. On August 31, 2003, the Company signed a distributor agreement with Tsinghua Unis Bitway Network Co., Ltd. to sell network security products.

### Chinese Tax Holiday

In-Touch is Registered in the Beijing Zhong Guan Cun High Tech Park and also recognized as a High Tech company. In-Touch will receive a tax holiday for three full tax years and a further three years where it will pay taxes at half the normal corporate tax rate, starting from the year that it first achieves a profit in the PRC.

### Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In applying our accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As you might expect, the actual results or outcomes are generally different than the estimated or assumed results or outcomes. These differences are usually minor (but they could be material) and are included in our consolidated financial statements as soon as they are known. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

of the use of estimates inherent in the financial reporting process, actual results could differ materially from those estimates.

Page 12 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

### Foreign Currencies

Balance Sheet transactions in foreign currencies are translated at the rates of exchange on the date of the Balance Sheet. Income Statement transactions in foreign currencies are translated at the average rates of exchange for the reporting period. Exchange gains and losses are recorded in the statement of operations.

China Wireless Communications, Inc (formerly i-Track, Inc.)

Results of Operations. During the third quarter of 2003, CWC continued its work of expanding its network in Beijing and reviewing the opportunities in the local market. CWC has also put a great deal of effort into establishing and testing a variety of equipment to provide its services from different vendors in Beijing, China. CWC is in the development stage and has not yet generated significant revenues from planned principal operations.

Operational expenses totaled \$648,163 and \$2,427,265 for the three months and nine months ended September 30, 2003 respectively. Of this amount, \$390,176 and \$1,413,076 respectively are costs recorded for common stock issued for compensation for these same periods. As we are in the development stage, our focus is three fold: (a) raising capital, (b) providing and establishing long-term relationships with equipment providers, and (c) finalizing operational procedures for the Beijing office.

Liquidity and Capital Resources. For the nine-month period ended September 30, 2003, CWC used cash of \$398,440 for operating activities. The most significant adjustment to reconcile the net loss to net cash used in operations was common stock issued as compensation amounting to \$1,413,076. Investing activities also used cash of \$287,032, which was comprised mainly of acquisition cost for equipment used by the Company to provide its services to its customers and a cash payment in connection with the closing of the acquisition, made in the previous calendar quarter. The Company has \$56,354 of cash.

At September 30, 2003, the Company had a working capital deficit of \$790,513, of which \$56,354 was in the form of cash and cash equivalents, \$209,443 in other current assets, \$825,710 in accrued liabilities, \$41,000 in convertible debt and \$189,600 in notes payable.

### Plan of Operation

The Company will focus its primary marketing efforts on providing broadband access services to carriers and their clients. The Company is able to cooperate with major carriers of China as the wholesale provider of high bandwidth wireless access services. To connect more users to their backbone networks, the carriers will agree to cooperate with us in providing the high-speed wireless services to their customers and share in the revenue. Following entering into the cooperative agreement with China Netcom on September 1, 2003, the Company is in the process of reviewing a similar arrangement with another Tier One Carrier - China Satellite Communication Corporation.

The Company expects agreements with fiber network infrastructure constructors,

## Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

which allows the Company's customers to use the network for a long period of time. Such agreements will expand the coverage area for the Company's wireless broadband network. Meanwhile, the Company intends to continue building on the

Page 13 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

capabilities of its networks to expand its target market and service offerings. The medium to long term goals of the Company are to successfully develop Beijing, and using the same business model, expand the wireless broadband network nationwide over a three to five year period. The expansion plans for national deployment will be based on the economically feasible areas.

As the Company positions itself as a high quality service provider, it targets to offer network reliability complemented by quality customer support. As a practice, the Company plans to set up call centers to accommodate queries and make quick response to complaints from customers. In the future, our technical support people will be in position on a 7 day iA 24 hours basis.

The Company will need to raise substantial capital over the next year to fund its operations and to implement its strategies. The continuation of the Company as a going concern is dependent upon the successful implementation of its business plan, raising capital, and ultimately achieving profitable operations. However there can be no assurance that the business plan will be successfully implemented. The inability of the Company to implement the business plan or to successfully raise capital could adversely impact the Company's business and prospects.

The Company will focus its effort on customer satisfaction by attracting and retaining a core team of professionals. The Company will continue to implement its stock and cash combined employee incentive system. We plan to increase our staffing levels only as required by our operation. We currently have no plans to significantly increase the number of our employees.

### Item 3. Controls and Procedures

Within 90 days prior to the date of this report under the supervision and participation of certain members of the Company's management, including the President and the Chief Financial Officer, the Company completed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in rules 13a - 14 and 15d - 14c to the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's President and Chief Financial Officer believe that the disclosure controls and procedures are effective with respect to timely communicating to them and other members of management responsible for preparing periodic reports all material information required to be disclosed in this report as it relates to the Company.

Page 14 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

Edgar Filing: CHINA WIRELESS COMMUNICATIONS INC - Form 10QSB

Not Applicable.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Regulation

S-B Number

-----

Exhibit

-----

31.1

Certification of Chief Executive/Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification of Chief Executive/Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

-----

b) Reports on Form 8-K:

Form 8-K dated September 29, 2003 reporting Items 5 and 7.

Page 15 of 19

China Wireless Communications, Inc.  
(A Development Stage Company)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA WIRELESS COMMUNICATIONS, INC.  
(Registrant)

Date: November 14, 2003

By: /s/ BRAD WOODS

-----  
Brad Woods,  
Interim President (Principal Executive Officer) and Chief Financial Officer  
(Principal Financial and Accounting Officer)

