## WIRELESS INTERNETWORKS LTD : MANUFACTURING SUBSIDIARY TOLD : PAY UP OR WE'LL WIND YOU UP !

If Wireless InterNetworks Ltd (Code: 261, Main Board, The Stock Exchange of Hongkong Ltd) does not pay at least $HK1.70 million to one of its major suppliers before April 25, 2000, it will be the end of one of its most important subsidiaries.

Because battery manufacturer, GPI International Ltd, of Kwaichung, New Territories, fully intends to wind up S. Megga Telecommunications Ltd, a wholly owned subsidiary of Wireless InterNetworks Ltd.

According to TARGET's very reliable information, GPI International is owed more than $HK1.70 million by S. Megga Telecommunications in respect of dry cell batteries, sold and delivered to its factories more than 7 months ago.

Tired of waiting, GPI International has filed a Winding-Up Petition, which is scheduled to be heard on April 25, 2001.

According to TARGET's informant at S. Megga Telecommunications, the debt to GPI International is at least 5 months overdue.

According to a source at GPI International: *'We don't know the reason that they* (S. Megga Telecommunications) *have not paid. But we're not willing to wait. We will pursue the matter … I think the* (Winding-Up) *Hearing is scheduled for April 25.'*

The person at GPI International, handling this matter, is Mr Brian Wong, the Financial Controller, TARGET has confirmed.

S. Megga Telecommunications is a manufacturer of telephones with emphasis on 900-megahertz (MHz) telecommunication products, according to the latest reports from the *'parent'* company, Wireless InterNetworks Ltd.

Wireless InternetWorks, according to its announcement of last Friday, stated that it would be making a further announcement, this Friday.

One assumes that this Friday's announcement will, also, include the latest information about the unhappiness of GPI International at not getting its money.

Last Friday's announcement stated:

> *'Wireless InterNetworks Ltd (the "Company") refers to the Company's announcement made on 31st January, 2001 stating that the publication of the unaudited final results in respect of the Company's financial period from 1st July 1999 to 30th September 2000 would be announced by not later than 8th February 2001. The Company has failed to publish the unaudited final results on that date for the reason that it has been unable to obtain all remaining information required for the preparation of its unaudited final results. The Company now expects to be able to announce these results by no later than Friday 16th February, 2001. The Company will make a further announcement containing details of its unaudited final results…'.*

According to TOLFIN (TARGET's Computerised, On-line Financial Service), Wireless InterNetworks turned in a Loss Attributable to Shareholders of about $HK36.08 million for the period January 1, 2000 through to June

30, 2000.

The Loss was an improvement over the comparable period in 1999 when the Attributable Loss to Shareholders amounted to about $HK121.17 million.

But the situation was somewhat clouded in respect of the figures in that the Operational Loss, including interest expenses of about $HK26 million, extended the 2000, 6-month Period Loss to about $HK70.29 million.

And this compared with the like 1999, 6-month Period, which indicated an Operational Loss, including interest expenses of about $HK9.57 million, of about $HK49.38 million.

There was a litigation settlement in this 2000, 6-month Period, which brought in about $HK38.90 million into the Company's coffers, TOLFIN's records indicate.

On July 21, 2000, Wireless InterNetworks went through a financial restructuring exercise, allowing the Company to refinance its debt load of about $HK465 million.

According to the Company, there was a debt-equity swap of about $HK89.10 million of interest-bearing debt, which was converted into new 3-Year and 7-Year Zero Coupon Convertible Notes.

The rest of the debt was converted into Common Shares in Wireless InterNetworks.

Those financial restructuring activities reduced the Company's debt exposure from $HK465.10 million to about $HK83.20 million.

Then, on September 9, 2000, Wireless InternetWorks sold its interest in S. Megga Industrial Building at $HK46 million, with the net proceeds, going to its bankers to reduce it debt, even further.

The Auditors of the Company, as at November 26, 1999, heavily qualified the accounts of S. Megga International Holdings Ltd (as the Company was known until it changed its name to Wireless InterNetworks Ltd on July 7, 2000).

Deliotte Touche Tohmatsu stated, in respect of the Financial Year, ended June 30, 1999, inter alia.

> *'… The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available … However, in view of the extent of the uncertainty relating to the financial restructuring of the Group, we disclaim our opinion in respect of the fundamental uncertainty relating to the going concern basis.*
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> *'Because of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30$^{th}$ June, 1999 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.'*

That's quite a mouthful!

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