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EURO ALLIED LIMITED
(formerly known as Lloyds Securities
Overseas Limited)

(Incorporated in Hong Kong)

Reports and accounts
Period from 1st January, 1998
to 31st March, 1999

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worldwide

EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)

REPORTS AND ACCOUNTS

PERIOD FROM 1ST JANUARY, 1998 TO 31ST MARCH, 1999

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EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)

REPORT OF THE DIRECTORS FOR 1999

The directors present herewith their report for the period from 1st January, 1998 to 31st March, 1999.

1 ACCOUNTS

The results for the period are set out in the profit and loss account on page 4.

The state of the company's affairs at 31st March, 1999 is set out in the balance sheet on page 5.

2 PRINCIPAL ACTIVITIES

The company acts as an advisor to non-resident Indians on their investment activities in Asian and Indian Capital Markets. The company was engaged in investment holding during the period.

3 ISSUE OF SHARES

Details of the changes in share capital during the period are set out in note 10 on page 9.

4 CHANGE IN COMPANY'S NAME

Pursuant to a special resolution passed on 25th February, 1999 the company changed its name from Lloyds Securities Overseas Limited to Euro Allied Limited.

5 CHANGE OF ACCOUNTING PERIOD

The financial year end of the company has been changed from 31st December to 31st March.

6 FIXED ASSETS

The movements in fixed assets during the period are set out in note 6 on page 8.

EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)

REPORT OF THE DIRECTORS FOR 1999

7 DIRECTORS

The directors who held office during the period and up to the date of this report were :-

Mukesh Rajnarayan GUPTA	- resigned on 25th February, 1999
Gulab Chand GARG	- resigned on 25th February, 1999
Sanjay AGARWAL	
Ketan Kantilal SHETH	- appointed on 25th February, 1999
Nandkishore Shankarlal TRIVEDI	- appointed on 25th February, 1999

In accordance with Article 110 of the company's Articles of Association, all remaining directors retire, and being eligible, offer themselves for re-election.

8 DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the company was a party and in which a director has a material interest subsisted at the end of the period or at any time during the period.

8 DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the company a party to any arrangements to enable the directors of the company to acquire benefits by means of acquisition of shares in or debentures of the company or any other body corporate.

9 AUDITORS

The auditors, Pannell Kerr Forster, retire but, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman

29 JUN 1999

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REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 4 to 10 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the company's affairs as at 31st March, 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Ordinance.

Chartered Accountants
Certified Public Accountants, Hong Kong

- 2 JUL 1999

EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)

PROFIT AND LOSS ACCOUNT

PERIOD FROM 1ST JANUARY, 1998 TO 31ST MARCH, 1999

	Note	01.01.98 to 31.03.99 HK\$	01.01.97 to 31.12.97 HK\$
TURNOVER	2	-	-
OPERATING LOSS BEFORE TAXATION AND EXCEPTIONAL ITEM	3	(155,897)	(767,081)
EXCEPTIONAL ITEM	4	-	504,635
LOSS AFTER EXCEPTIONAL ITEM		(155,897)	(262,446)
TAXATION	5	-	-
LOSS FOR THE PERIOD/YEAR		(155,897)	(262,446)

STATEMENT OF ACCUMULATED LOSSES

Balances brought forward	(2,627,207)	(2,364,761)
Loss for the period/year	(155,897)	(262,446)
Balances carried forward	(2,783,104)	(2,627,207)

The notes on pages 6 to 10 form an integral part of these accounts.

Auditors' report - page 3

EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)

NOTES TO THE ACCOUNTS - 31ST MARCH, 1999

1 PRINCIPAL ACCOUNTING POLICIES

(a) Investment

The company's interests in companies other than subsidiaries and associated companies are shown at original cost as investments and dividend income only is taken into profits as it is received. Provision is made to the extent that the directors consider significant permanent diminution in value has taken place.

(b) Depreciation

Depreciation on fixed assets is calculated to write off their cost on the straight line basis over their expected useful lives to the company. The principal annual rates used for this purpose are :-

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20%
Computer equipment	30%

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the period are translated at the rates ruling at the dates of the transactions. Profits and losses resulting from the above translation policy are recognised in the profit and loss account.

(d) Taxation

The charge for taxation is based on the profit for the period as adjusted for items which are non-assessable or disallowable.

(e) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

(f) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

EURO ALLIED LIMITED
(formerly known as Lloyds Securities Overseas Limited)

NOTES TO THE ACCOUNTS - 31ST MARCH, 1999

2 TURNOVER

The company derived no income during the period.

3 OPERATING LOSS BEFORE TAXATION AND EXCEPTIONAL ITEM

The operating loss before taxation and exceptional item is stated after charging :-

	01.01.98	01.01.97
	to	to
	<u>31.03.99</u>	<u>31.12.97</u>
	HK\$	HK\$
Directors' emoluments		
- fees	-	-
- other emoluments	-	-
Auditors' remuneration	8,800	8,445
Operating lease rentals	18,080	237,272
	<u> </u>	<u> </u>

4 EXCEPTIONAL ITEM

The exceptional item represented an amount due to a related company which was waived in 1997.

5 TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the company has no assessable profits for the period (1997 - HK\$Nil).

6 INVESTMENT

	<u>1999</u>	<u>1998</u>
	HK\$	HK\$
Euro Asian Securities Limited		
- unlisted shares, at cost	19,375,000	-
	<u> </u>	<u> </u>

EURO ALLIED LIMITED
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NOTES TO THE ACCOUNTS - 31ST MARCH, 1999

6 INVESTMENT – (Continued)

At 31st March, 1999 the company held ordinary shares in the following investee company :-

<u>Name of the company</u>	<u>Place of incorporation</u>	<u>Percentage holding</u>	<u>Nature of business</u>	<u>Description of shares held</u>
Euro Asian Securities Limited	Mumbai	8.35%	Stock Broking and investment advisory	2,000,000 ordinary shares of Indian Rs.10 par

7 FIXED ASSETS

	<u>Leasehold improvements</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Computer equipment</u> HK\$	<u>Office equipment</u> HK\$	<u>Total</u> HK\$
At cost					
At 1st January, 1998	24,450	35,865	85,450	29,688	175,453
Disposals	(24,450)	(35,865)	(85,400)	(29,688)	(175,453)
At 31st March, 1999	-	-	-	-	-
Depreciation					
At 1st January, 1999	19,560	27,372	68,880	29,688	145,500
Charge for the period	4,890	-	-	-	4,890
Written back on disposals	(24,450)	(27,372)	(68,880)	(29,688)	(150,390)
At 31st December, 1999	-	-	-	-	-
Net book value					
At 31st March, 1999	-	-	-	-	-
At 31st December, 1997	4,890	8,493	16,570	-	29,953

EURO ALLIED LIMITED
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NOTES TO THE ACCOUNTS - 31ST MARCH, 1999

8 CURRENT ASSETS

	<u>1999</u> HK\$	<u>1998</u> HK\$
Amounts due from shareholders	-	40
Deposits	27,176	41,626
Cash at bank	31,243	5,886
	<u>58,419</u>	<u>47,552</u>

Amounts due from shareholders are unsecured, interest free and have no fixed repayment terms.

9 CURRENT LIABILITIES

	<u>1999</u> HK\$	<u>1997</u> HK\$
Accounts payable and accrued charges	20,200	45,868
Amounts due to related companies	2,818,857	2,658,461
Bank overdraft	2,426	343
	<u>2,841,483</u>	<u>2,704,672</u>

10 SHARE CAPITAL

Authorised		
1,950,000 ordinary shares of HK\$10 each	<u>19,500,000</u>	<u>10,000</u>
Issued and fully paid		
1,937,504 ordinary shares of HK\$10 each	<u>19,375,040</u>	<u>40</u>

On 23rd February, 1999, the authorised share capital of the company was increased from HK\$10,000 to HK\$19,500,000 by the creation of 1,949,000 ordinary shares of HK\$10 each.

On 23rd February, 1999, 1,937,500 ordinary shares were issued at par for the acquisition of shares in the company's investment as stated in Note 6.

EURO ALLIED LIMITED
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NOTES TO THE ACCOUNTS - 31ST MARCH, 1999

11 LEASE COMMITMENTS

At the balance sheet date, the company had the following annual commitments under a non-cancellable operating lease in respect of rental premises :-

	<u>1999</u> HK\$	<u>1997</u> HK\$
Operating lease which expires :-		
Within one year	-	24,080
In the second to fifth years inclusive	-	-
	=====	=====

EURO ALLIED LIMITED
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DETAILED PROFIT AND LOSS ACCOUNT

PERIOD FROM 1ST JANUARY, 1998 TO 31ST MARCH, 1999

	01.01.98 to 31.03.99 HK\$	01.01.97 to 31.12.97 HK\$
INCOME		
Other income	4,769	-
Interest income	10	268
	<u>4,779</u>	<u>268</u>
	-----	-----
EXPENSES		
Audit fee	8,800	8,445
Bank charges and interest	3,678	1,218
Books and periodicals	-	500
Business promotion expenses	-	4,117
Depreciation	4,890	43,636
Electricity	977	1,160
Insurance	-	2,398
Legal and professional fees	45,948	6,884
Local and overseas travelling	-	32,063
Memberships and subscriptions	18,638	70,500
Office expenses	17,400	-
Postage and courier	1,781	2,780
Printing and stationery	340	1,264
Rent and rates - office	22,458	179,244
Rent and rates - staff quarters	-	73,000
Salaries	14,246	201,783
Staff quarter expenses	-	2,255
Sundry expenses	1,400	17,326
Telephone and fax	20,120	118,776
	<u>160,676</u>	<u>767,349</u>
	-----	-----
OPERATING LOSS FOR THE PERIOD/YEAR	(155,897)	(767,081)
	=====	=====