

18

ART - BB-18

LLOYDS SECURITIES OVERSEAS
LIMITED

(Incorporated in Hong Kong)

Reports and accounts
Year ended 31st December, 1997

9

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**LLOYDS SECURITIES OVERSEAS
LIMITED**

(Incorporated in Hong Kong)

**Reports and accounts
Year ended 31st December, 1997**

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worldwide

LLOYDS SECURITIES OVERSEAS LIMITED

REPORTS AND ACCOUNTS

YEAR ENDED 31ST DECEMBER, 1997

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LLOYDS SECURITIES OVERSEAS LIMITED

REPORT OF THE DIRECTORS FOR 1997

The directors present herewith their report for the year ended 31st December, 1997.

1 ACCOUNTS

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

The state of the company's affairs at 31st December, 1997 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.

3 DIRECTORS

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

Mukesh Rajnarayan GUPTA
Gulab Chand GARG
Sanjay AGARWAL

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

4 FIXED ASSETS

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

5 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 year or at any time during the year.

6 DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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.

LLOYDS SECURITIES OVERSEAS LIMITED

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REPORT OF THE DIRECTORS FOR 1997

7 AUDITORS

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

On behalf of the Board



Chairman

- 5 APR 1999

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF LLOYDS SECURITIES OVERSEAS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 4 to 9 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 December, 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Pannell Kerr Forster

Chartered Accountants
Certified Public Accountants, Hong Kong

- 8 APR 1999

LLOYDS SECURITIES OVERSEAS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER, 1997

| | Note | <u>1997</u> HK\$ | <u>1996</u> HK\$ |
|--|------|---------------------|---------------------|
| TURNOVER | 2 | - | - |
| OPERATING LOSS BEFORE TAXATION AND EXCEPTIONAL ITEM | 3 | (767,081) | (1,097,632) |
| EXCEPTIONAL ITEM | 4 | 504,635 | - |
| OPERATING LOSS AFTER EXCEPTIONAL ITEM | | (262,446) | - |
| TAXATION | 5 | - | - |
| LOSS FOR THE YEAR | | <u>(262,446)</u> | <u>(1,097,632)</u> |

STATEMENT OF ACCUMULATED LOSSES

| | | |
|--------------------------|--------------------|--------------------|
| Balances brought forward | (2,364,761) | (1,267,129) |
| Loss for the year | (262,446) | (1,097,632) |
| Balances carried forward | <u>(2,627,207)</u> | <u>(2,364,761)</u> |

The notes on pages 6 to 9 form an integral part of these accounts.

Auditors' report - page 3

LLOYDS SECURITIES OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1997

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The company has a capital deficiency amounting to HK\$2,627,167 as at 31st December, 1997. The accounts have been prepared on a going concern basis, the validity of which depends upon the continued financial support of the shareholders.

(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 year 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.

LLOYDS SECURITIES OVERSEAS LIMITED**NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1997****2 TURNOVER**

The company derived no income during the year.

3 OPERATING LOSS

The operating loss is stated after charging :-

| | <u>1997</u> HK\$ | <u>1996</u> HK\$ |
|-------------------------|-----------------------|-----------------------|
| Directors' emoluments | - | - |
| Auditors' remuneration | 8,445 | 7,700 |
| Operating lease rentals | 237,272 | 332,560 |
| | <u><u>237,272</u></u> | <u><u>332,560</u></u> |

4 EXCEPTIONAL ITEM

The exceptional item represents an amount due to a related company which has been waived.

5 TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the company has no assessable profits for the year.

LLOYDS SECURITIES OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1997

6 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, 1997 and 31st December, 1997 | 24,450 | 35,865 | 85,450 | 29,688 | 175,453 |
| Depreciation | | | | | |
| At 1st January, 1997 | 14,670 | 20,199 | 43,245 | 23,750 | 101,864 |
| Charge for the year | 4,890 | 7,173 | 25,635 | 5,938 | 43,636 |
| At 31st December, 1997 | 19,560 | 27,372 | 68,880 | 29,688 | 145,500 |
| Net book value | | | | | |
| At 31st December, 1997 | 4,890 | 8,493 | 16,570 | - | 29,953 |
| At 31st December, 1996 | 9,780 | 15,666 | 42,205 | 5,938 | 73,589 |

7 CURRENT ASSETS

| | <u>1997</u> HK\$ | <u>1996</u> HK\$ |
|-------------------------------|---------------------|---------------------|
| Amounts due from shareholders | 40 | 40 |
| Deposits | 41,626 | 67,626 |
| Cash at bank | 5,886 | 4,942 |
| | <u>47,552</u> | <u>72,608</u> |

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

LLOYDS SECURITIES OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1997

8 CURRENT LIABILITIES

| | <u>1997</u> HK\$ | <u>1996</u> HK\$ |
|--------------------------------------|---------------------|---------------------|
| Accounts payable and accrued charges | 45,868 | 53,888 |
| Amounts due to related companies | 2,658,461 | 2,457,030 |
| Bank overdraft | 343 | - |
| | <u>2,704,672</u> | <u>2,510,918</u> |

9 SHARE CAPITAL

| | | |
|---|---------------|---------------|
| Authorised 1,000 ordinary shares of HK\$10 each | <u>10,000</u> | <u>10,000</u> |
| Issued and fully paid 4 ordinary shares of HK\$10 each | <u>40</u> | <u>40</u> |

10 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>1997</u> HK\$ | <u>1996</u> HK\$ |
|--|---------------------|---------------------|
| Operating lease which expires :- | | |
| Within one year | 24,080 | 167,080 |
| In the second to fifth years inclusive | - | - |
| | <u>24,080</u> | <u>167,080</u> |

LLOYDS SECURITIES OVERSEAS LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER, 1997

| | <u>1997</u> HK\$ | <u>1996</u> HK\$ |
|---------------------------------|---------------------|---------------------|
| INCOME | | |
| Other income | - | 195 |
| Interest income | 268 | 737 |
| | <u>268</u> | <u>932</u> |
| | ----- | ----- |
| EXPENSES | | |
| Audit fee | 8,445 | 7,700 |
| Bank charges and interest | 1,218 | 690 |
| Books and periodicals | 500 | 2,230 |
| Business promotion expenses | 4,117 | 20,998 |
| Depreciation | 43,636 | 43,636 |
| Electricity | 1,160 | 352 |
| Insurance | 2,398 | 850 |
| Legal and professional fees | 6,884 | 29,662 |
| Local and overseas travelling | 32,063 | 33,385 |
| Memberships and subscriptions | 70,500 | 44,688 |
| Office expenses | - | 4,300 |
| Postage and courier | 2,780 | 3,490 |
| Printing and stationery | 1,264 | 2,372 |
| Rent and rates - office | 179,244 | 346,994 |
| Rent and rates - staff quarters | 73,000 | 127,800 |
| Salaries | 201,783 | 276,000 |
| Staff quarter expenses | 2,255 | 12,268 |
| Sundry expenses | 17,326 | 13,109 |
| Telephone and fax | 118,776 | 128,040 |
| | <u>767,349</u> | <u>1,098,564</u> |
| | ----- | ----- |
| LOSS FOR THE YEAR | <u>(767,081)</u> | <u>(1,097,632)</u> |
| | ===== | ===== |

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LLOYDS SECURITIES OVERSEAS LIMITED

(Incorporated in Hong Kong)

Reports and accounts

Year ended 31st December, 1996

PKF
worldwide

LLOYDS SECURITIES OVERSEAS LIMITED

REPORTS AND ACCOUNTS

YEAR ENDED 31ST DECEMBER, 1996

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| Notes to the Accounts | 6 - 8 |
| Detailed Profit and Loss Account | 9 |

LLOYDS SECURITIES OVERSEAS LIMITED

REPORT OF THE DIRECTORS FOR 1996

The directors present herewith their report for the year ended 31st December, 1996.

1 ACCOUNTS

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

The state of the company's affairs at 31st December, 1996 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 various investment activities in Asian and Indian Capital Markets.

3 DIRECTORS

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

Mukesh Rajnarayan GUPTA
Gulab Chand GARG
Sanjay AGARWAL

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

4 DIRECTORS' INTERESTS IN CONTRACTS

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

5 DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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.

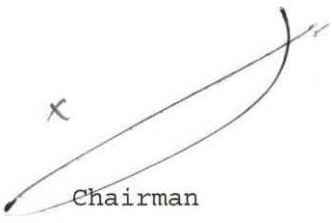
LLOYDS SECURITIES OVERSEAS LIMITED

REPORT OF THE DIRECTORS FOR 1996

6 AUDITORS

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

On behalf of the Board

X

Chairman

GCG

22 FEB 1999

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169 Electric Road,
Hong Kong. 3
Tel : (852) 2887 4222
Fax : (852) 2566 6401

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF LLOYDS SECURITIES OVERSEAS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 4 to 8 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 December 1996 and of its loss for the year then ended have been properly prepared in accordance with the Companies Ordinance.

Pannell Kerr Forster

Chartered Accountants
Certified Public Accountants, Hong Kong

25 FEB 1999

LLOYDS SECURITIES OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER, 1996

| | Note | 01.01.96 to <u>31.12.96</u> HK\$ | 23.06.94 to <u>31.12.95</u> HK\$ |
|--------------------------|------|---|---|
| TURNOVER | 2 | - ===== | - ===== |
| OPERATING LOSS | 3 | (1,097,632) | 1,267,129 |
| TAXATION | 4 | - | - |
| LOSS FOR THE YEAR/PERIOD | | <u>(1,097,632)</u> ===== | <u>1,267,129</u> ===== |

STATEMENT OF ACCUMULATED LOSSES

| | | |
|--------------------------|------------------------------|-----------------------------|
| Balances brought forward | (1,267,129) | - |
| Loss for the year/period | (1,097,632) | (1,267,129) |
| Balances carried forward | <u>(2,364,761)</u> ===== | <u>(1,267,129)</u> ===== |

The notes on pages 6 to 8 form an integral part of these accounts.

Auditors' report - page 3

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1996

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The company has a capital deficiency amounting to HK\$2,364,721 as at 31st December, 1996. The accounts have been prepared on the going concern basis, the validity of which depends upon the continued financial support of the shareholders.

(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 included in the profit and loss account.

(d) Taxation

The charge for taxation is based on the profit for the year 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.

2 TURNOVER

The company derived no income during the year.

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1996

3 OPERATING LOSS

The operating loss is stated after charging :-

| | | |
|----------------------------|-----------------|-----------------|
| | 01.01.96 | 23.06.94 |
| | to | to |
| | <u>31.12.96</u> | <u>31.12.95</u> |
| | HK\$ | HK\$ |
| Directors' emoluments | - | - |
| Auditors' remuneration | 7,700 | 7,000 |
| Company formation expenses | - | 13,750 |
| Operating lease rentals | 332,560 | 745,338 |
| | ===== | ===== |

4 TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the company has no assessable profits for the year.

5 FIXED ASSETS

| | <u>Leasehold</u> <u>improvements</u> | <u>Furniture</u> <u>and</u> <u>fixtures</u> | <u>Computer</u> <u>equipment</u> | <u>Office</u> <u>equipment</u> | <u>Total</u> |
|------------------------|---|---|-------------------------------------|-----------------------------------|--------------|
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Cost | | | | | |
| At 1st January, 1996 | 24,450 | 32,565 | 43,450 | 29,688 | 130,153 |
| Additions | - | 3,300 | 42,000 | - | 45,300 |
| | ----- | ----- | ----- | ----- | ----- |
| At 31st December, 1996 | 24,450 | 35,865 | 85,450 | 29,688 | 175,453 |
| | ----- | ----- | ----- | ----- | ----- |
| Depreciation | | | | | |
| At 1st January, 1996 | 9,780 | 13,026 | 17,610 | 17,812 | 58,228 |
| Charge for the year | 4,890 | 7,173 | 25,635 | 5,938 | 43,636 |
| | ----- | ----- | ----- | ----- | ----- |
| At 31st December, 1996 | 14,670 | 20,199 | 43,245 | 23,750 | 101,864 |
| | ----- | ----- | ----- | ----- | ----- |
| Net book value | | | | | |
| At 31st December, 1996 | 9,780 | 15,666 | 42,205 | 5,938 | 73,589 |
| | ===== | ===== | ===== | ===== | ===== |
| At 31st December, 1995 | 14,670 | 19,539 | 25,840 | 11,876 | 71,925 |
| | ===== | ===== | ===== | ===== | ===== |

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1996

6 CURRENT ASSETS

| | <u>1996</u> HK\$ | <u>1995</u> HK\$ |
|-------------------------------|------------------------|-------------------------|
| Amounts due from shareholders | 40 | 40 |
| Deposits | 67,626 | 144,234 |
| Accounts receivable | - | 15,785 |
| Cash at bank | 4,942 | 3,767 |
| | <u>72,608</u> ===== | <u>163,826</u> ===== |

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

7 CURRENT LIABILITIES

| | <u>1996</u> HK\$ | <u>1995</u> HK\$ |
|--------------------------------------|---------------------------|---------------------------|
| Accounts payable and accrued charges | 53,888 | 9,500 |
| Amounts due to affiliated companies | 2,457,030 | 1,492,378 |
| Bank overdrafts | - | 962 |
| | <u>2,510,918</u> ===== | <u>1,502,840</u> ===== |

8 SHARE CAPITAL

| | | |
|-----------------------------|--------|--------|
| Authorised | | |
| 1,000 shares of HK\$10 each | 10,000 | 10,000 |
| | ===== | ===== |
| Issued and fully paid | | |
| 4 shares of HK\$10 each | 40 | 40 |
| | ===== | ===== |

9 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>1996</u> HK\$ | <u>1995</u> HK\$ |
|--|-------------------------|------------------------|
| Operating lease which expires: | | |
| Within one year | 167,080 | 94,500 |
| In the second to fifth years inclusive | - | - |
| | <u>167,080</u> ===== | <u>94,500</u> ===== |

LLOYDS SECURITIES OVERSEAS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER, 1996

| | 01.01.96 to <u>31.12.96</u> HK\$ | 23.06.94 to <u>31.12.95</u> HK\$ |
|---------------------------------|---|---|
| INCOME | | |
| Other income | 195 | - |
| Interest income | 737 | 796 |
| | <u>932</u> | <u>796</u> |
| | ----- | ----- |
| EXPENSES | | |
| Audit fee | 7,700 | 7,000 |
| Company formation expenses | - | 13,750 |
| Legal and professional fees | 29,662 | 6,500 |
| Books and periodicals | 2,230 | 2,835 |
| Bank charges and interest | 690 | 2,018 |
| Entertainment | - | 6,066 |
| Business promotion expenses | 20,998 | 2,012 |
| Electricity | 352 | 4,058 |
| Local and overseas travelling | 33,385 | 17,133 |
| Postage and courier | 3,490 | 1,080 |
| Printing and stationery | 2,372 | 2,391 |
| Memberships and subscriptions | 44,688 | 10,750 |
| Telephone and fax | 128,040 | 112,484 |
| Office expenses | 4,300 | 5,263 |
| Rent and rates - office | 346,994 | 615,984 |
| Rent and rates - staff quarters | 127,800 | 129,354 |
| Staff quarter expenses | 12,268 | 41,265 |
| Salaries | 276,000 | 221,586 |
| Depreciation | 43,636 | 58,228 |
| Sundry expenses | 13,109 | 8,168 |
| Insurance | 850 | - |
| | <u>1,098,564</u> | <u>1,267,925</u> |
| | ----- | ----- |
| LOSS FOR THE YEAR/PERIOD | (1,097,632) | (1,267,129) |
| | ===== | ===== |

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आनेछदन जल के त्वाची पदी

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LLOYDS SECURITIES OVERSEAS LIMITED

(Incorporated in Hong Kong)

Reports and accounts

Year ended 31st December, 1996

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