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EURO ALLIED LIMITED

(Incorporated in Hong Kong)

**Reports and accounts
Period from 1st April, 1999
to 31st December, 1999**

EURO ALLIED LIMITED

REPORTS AND ACCOUNTS

PERIOD FROM 1ST APRIL, 1999 TO 31ST DECEMBER, 1999

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EURO ALLIED LIMITED

REPORT OF THE DIRECTORS FOR 1999

The directors present herewith their report for the period from 1st April, 1999 to 31st December, 1999.

1 ACCOUNTS

The results for the period are set out in the income statement on page 4.

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

2 PRINCIPAL ACTIVITIES

The company was engaged in investment holding during the period.

3 CHANGE OF ACCOUNTING PERIOD

The financial year end of the company has been changed from 31st March to 31st December, and these accounts reflect a nine month period to 31st December, 1999.

4 DIRECTORS

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

Sanjay AGARWAL
Ketan Kantilal SHETH
Nandkishore Shankarlal TRIVEDI

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

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 period or at any time during the period.

EURO ALLIED LIMITED**REPORT OF THE DIRECTORS FOR 1999****6 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.

7 AUDITORS

The auditors, Mazars, formerly practising in the name of Pannell Kerr Forster, retire but, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman

24 NOV 2000

REPORT OF THE AUDITORS**TO THE SHAREHOLDERS OF EURO ALLIED 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 December, 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Ordinance.



Chartered Accountants
Certified Public Accountants, Hong Kong

24 NOV 2000

EURO ALLIED LIMITED

INCOME STATEMENT

PERIOD FROM 1ST APRIL, 1999 TO 31ST DECEMBER, 1999

	Note	01.04.99 to 31.12.99 HK\$	01.01.98 to 31.03.99 HK\$
Turnover	3	203,369	-
Other income		964	4,779
Other operating expenses		(29,610)	(160,676)
Profit/(Loss) from operations		<u>174,723</u>	<u>(155,897)</u>
Gain on disposal of investments		1,625,000	-
Profit/(Loss) before taxation	4	<u>1,799,723</u>	<u>(155,897)</u>
Taxation	5	-	-
Net profit/(loss) for the year		<u>1,799,723</u> =====	<u>(155,897)</u> =====
Recognised gain/(loss) for the year		<u>1,799,723</u> =====	<u>(155,897)</u> =====

STATEMENT OF ACCUMULATED LOSSES

Balances brought forward	(2,783,104)	(2,627,207)
Profit/(Loss) for the period	1,799,723	(155,897)
Balances carried forward	<u>(983,381)</u> =====	<u>(2,783,104)</u> =====

The notes on pages 7 to 10 form an integral part of these accounts.

Auditors' report - page 3

EURO ALLIED LIMITED

BALANCE SHEET - 31ST DECEMBER, 1999

	Note	<u>31.12.99</u> HK\$	<u>31.12.99</u> HK\$	<u>31.03.99</u> HK\$	<u>31.03.99</u> HK\$
ASSETS					
NON-CURRENT ASSETS					
Investment	6		-		19,375,000
CURRENT ASSETS					
Amounts due from intermediate holding companies	7	18,406,690		-	
Deposits		-		27,176	
Cash at bank		599		31,243	
			18,407,289		58,419
CURRENT LIABILITIES					
Accrued charges		15,630		20,200	
Amount due to an intermediate holding company	8	-		2,818,857	
Bank overdraft		-		2,426	
			15,630		2,841,483
NET CURRENTS ASSETS/ (LIABILITIES)			18,391,659		(2,783,064)
NET ASSETS			18,391,659		16,591,936

The notes on pages 7 to 10 form an integral part of these accounts.

Auditors' report - page 3

EURO ALLIED LIMITED**NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1999****1 GENERAL**

The company is a private limited company incorporated in Hong Kong. Its ultimate holding company, Euro Discover Technology Ventures Limited (formerly known as Euro Offshore Investments Limited), is a company incorporated in the Republic of Mauritius. The company was an investing holding company during the period.

The company's accounts are prepared in accordance with Hong Kong Statements of Standard Accounting Practice. They cover the results of the company alone. The income statement covers the accounting period from 1st April, 1999 to 31st December, 1999, while the balance sheet represents the financial position of the company as at 31st December, 1999. The reporting currency of the company's accounts is the Hong Kong Dollar.

2 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) 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.

(c) Taxation

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

(d) 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.

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1999

2 PRINCIPAL ACCOUNTING POLICIES - (Cont'd)

(e) Income recognition

Dividend income is recognised when the shareholders' right to receive payment has been established.

(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.

(g) Related party transactions

Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3 TURNOVER

Turnover represents dividend income received and receivable during the period.

4 PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before taxation is stated after charging/(crediting) :-

	01.04.99 to 31.12.99 HK\$	01.01.98 to 31.03.99 HK\$
Directors' emoluments		
- fees	-	-
- other emoluments	-	-
Auditors' remuneration	18,355	8,800
Operating lease rentals	-	18,080
Dividend income	(203,369)	-
	<u>=====</u>	<u>=====</u>

EURO ALLIED LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1999

5 TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the company has no assessable profit for the period ended 31st December, 1999 (31.3.99 - HK\$Nil).

6 INVESTMENT

	<u>31.12.99</u> HK\$	<u>31.03.99</u> HK\$
Euro Asian Securities Limited - unlisted shares at cost	-	19,375,000

<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

The company disposed of the investment during the period.

7 AMOUNTS DUE FROM INTERMEDIATE HOLDING COMPANIES

The amounts due are unsecured, interest free and repayable on demand.

8 AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due was unsecured, interest free and had no fixed repayment terms.

9 SHARE CAPITAL

	<u>31.12.99</u> HK\$	<u>31.03.99</u> HK\$
Authorised 1,950,000 ordinary shares of HK\$10 each	19,500,000	19,500,000
Issued and fully paid 1,937,504 ordinary shares of HK\$10 each	19,375,040	19,375,040

EURO ALLIED LIMITED**NOTES TO THE ACCOUNTS - 31ST DECEMBER, 1999****10 RELATED PARTY TRANSACTION**

The company sold its investment to its holding company during the period for HK\$21,000,000, realising a gain of HK\$1,625,000.

The above transaction was entered into based on the fair value of the investment as at the transaction date.

EURO ALLIED LIMITED

DETAILED INCOME STATEMENT

PERIOD FROM 1ST APRIL, 1998 TO 31ST DECEMBER, 1999

	01.03.99 to 31.12.99 HK\$	01.01.98 to 31.03.99 HK\$
TURNOVER		
Dividend income	203,369	-
OTHER INCOME		
Other income	132	4,769
Interest income	832	10
Gain on disposal of investment	1,625,000	-
	<u>1,625,964</u>	<u>4,779</u>
	<u>1,829,333</u>	<u>4,779</u>
EXPENSES		
Audit fee	18,355	8,800
Bank charges and interest	1,495	3,678
Depreciation	-	4,890
Electricity	-	977
Legal and professional fees	7,405	45,948
Memberships and subscriptions	-	18,638
Office expenses	-	17,400
Postage and courier	-	1,781
Printing and stationery	-	340
Rent and rates - office	-	22,458
Salaries	-	14,246
Sundry expenses	2,355	1,400
Telephone and fax	-	20,120
	<u>29,610</u>	<u>160,676</u>
OPERATING PROFIT/(LOSS) FOR THE PERIOD	<u>1,799,723</u>	<u>(155,897)</u>