



安永會計師事務所

To the members

**Luks Industrial (Group) Limited***(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 20 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**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 an 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 and the Group's circumstances, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited as follows:

*Scope limitation – Impairment of goodwill*

Included in the consolidated balance sheet of the Group as at 31 December 2003 is goodwill with a carrying amount of approximately HK\$277 million, which arose from the acquisition of a subsidiary during the year. The subsidiary is engaged in the manufacture and sale of health care products, the business of which is still at its start-up stage and is yet to generate significant revenue. The directors are of the opinion, based on a business valuation performed as at the balance sheet date, the recoverable amount of the goodwill exceeds its carrying amount in the consolidated balance sheet and no provision for impairment is necessary. We have however been unable to obtain sufficient reliable evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used by the directors in arriving at the business valuation and therefore as to whether the carrying amount of the goodwill is fairly stated at the balance sheet date. Any adjustment to the goodwill would have a consequential impact on the Group's net assets as at 31 December 2003 and results for the year then ended, and on the amount of the interests in subsidiaries in the Company's balance sheet as at 31 December 2003, and the loss of the Company for the year then ended, and the related disclosures thereof in the financial statements.

**Opinion**

Except for any adjustments that might have been found necessary had we been able to satisfy ourselves as to the reasonableness of the bases and assumptions in the business valuation used by the directors to determine the recoverability of the goodwill and as to the amounts of the Company's interests in subsidiaries, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

**ERNST & YOUNG**

*Certified Public Accountants*

Hong Kong  
27 April 2004