1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development and investment and trading of securities.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (''HKFRSs'') (herein collectively referred to as ''new HKFRSs'') which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition of subsidiaries prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisition of subsidiaries after 1st April, 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised loss provide evidence of an impairment of the asset transferred.

Joint venture

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Income from properties developed for sale is recognised on the execution of a binding sales agreement.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Revenue from trading of securities is recognised on a trade date basis when the relevant sale and purchase contract is entered into.

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Management fee income is recognised when services are rendered.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any valuation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the valuation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and any identified impairment loss.

Construction in progress is stated at cost less any identified impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the terms of leases, or 50 years
Leasehold improvements	20% - 33 1/3%
Plant and machinery	25%
Motor vehicles	25%
Furniture, fixtures and office equipment	14 1/3% - 25%
Tools and moulds	15% - 33 1/3%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the terms of the leases, whichever is shorter.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the dates of acquisitions. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

Properties under development for long-term investment

Property under development for long-term investment purposes is stated at cost which includes the cost of land, development expenditure, other attributable expenses and capitalised borrowing costs incurred less any identified impairment loss.

Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Club debentures

Club debentures are stated at cost less any identified impairment loss.

Antiques and pictures

Antiques and pictures are stated at cost less any identified impairment loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Inventory of unsold properties

Completed properties remaining unsold at the year end are stated at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re- translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of operations outside Hong Kong are translated into Hong Kong dollars at the rates of exchange prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the year. All exchange differences arising on consolidation are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payment to Mandatory Provident Fund Scheme (the ''MPF Scheme'') are charged as an expense as they fall due.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into five divisions – manufacture of watches, trading of watch movements, property development, property investment and trading of securities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Manufacture of watches	–	manufacture, assembly and sale of electronic watches and watch parts.
Trading of watch movements	–	trading of watch movements and watch parts.
Property development	–	development and sale of properties.
Property investment	–	holding of properties for investment and leasing purposes.
Trading of securities	–	trading of local and overseas market securities.

Segment information about these businesses is presented below.

4. SEGMENT INFORMATION (CONTINUED)

2005

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	377,177,561	644,274,107	–	5,521,668	–	–	1,026,973,336
Inter-segment sales	–	6,071,983	–	–	–	(6,071,983)	–
Total turnover	377,177,561	650,346,090	–	5,521,668	–	(6,071,983)	1,026,973,336

Inter-segment sales are charged at cost.

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Eliminations HK$	Consolidated HK$
RESULT							
Segment result	36,889,292	7,750,277	(7,649,275)	31,427,737*	162,549	–	68,580,580
Interest income							584,819
Unallocated other operating income							946,047
Unallocated corporate expenses							(4,436,977)
Profit from operations							65,674,469
Finance costs							(6,075,492)
Share of result of an associate				1,596,450			1,596,450
Share of results of jointly controlled entities			(70,994)				(70,994)
Profit before taxation							61,124,433
Income tax expense							(3,239,077)
Net profit for the year							57,885,356

* *Revaluation increase on investment properties of HK$27,411,840 is included in the result of property investment segment.*

BALANCE SHEET

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Eliminations HK$	Consolidated HK$
ASSETS							
Segment assets	187,733,500	114,582,601	499,995,368	258,945,170	4,089,561	–	1,065,346,200
Interest in an associate							1,316,543
Interests in jointly controlled entities							440,074
Unallocated corporate assets							113,770,425
Consolidated total assets							1,180,873,242
LIABILITIES							
Segment liabilities	59,658,502	70,437,086	84,376,876	3,376,836	8,500	–	217,857,800
Amount due to an associate							1,576,898
Unallocated corporate liabilities							587,028,106
Consolidated total liabilities							806,462,804

4. SEGMENT INFORMATION (CONTINUED)

OTHER INFORMATION

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Unallocated HK$	Consolidated HK$
Capital additions	21,323,062	8,744,942	144,988,401	38,601,190	–	–	213,657,595
Depreciation and amortisation	11,908,190	3,301,886	446,083	1,591,710	–	–	17,247,869
Revaluation increase in investment properties	–	–	–	27,411,840	–	–	27,411,840
Loss (gain) on disposal of property, plant and equipment	261,196	42,325	(1,500)	–	–	–	302,021

2004

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	278,799,829	635,910,120	–	7,901,063	11,508,089	–	934,119,101
Inter-segment sales	–	3,604,688	–	–	–	(3,604,688)	–
Total turnover	278,799,829	639,514,808	–	7,901,063	11,508,089	(3,604,688)	934,119,101

Inter-segment sales are charged at cost.

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Eliminations HK$	Consolidated HK$
RESULT							
Segment result	(3,237,077)	11,974,948	(3,986,271)	28,112,510*	(1,361,972)	–	31,502,138
Interest income							189,416
Unallocated other operating income							16,930,538
Unallocated corporate expenses							(1,130,636)
Profit from operations							47,491,456
Finance costs							(5,830,278)
Share of results of jointly controlled entities			10,100,440				10,100,440
Profit before taxation							51,761,618
Income tax expense							(568,197)
Net profit for the year							51,193,421

* *Revaluation increase on investment properties of HK$22,500,000 is included in the result of property investment segment.*

4. SEGMENT INFORMATION (CONTINUED)

BALANCE SHEET

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Eliminations HK$	Consolidated HK$
ASSETS							
Segment assets	154,360,075	104,343,976	306,886,722	193,536,511	4,103,209	–	763,230,493
Interest in an associate				2,880,000			2,880,000
Interests in jointly controlled entities			23,698,177				23,698,177
Unallocated corporate assets							119,085,252
Consolidated total assets							908,893,922
LIABILITIES							
Segment liabilities	48,468,049	77,875,529	28,398,095	2,555,827	4,000	–	157,301,500
Amount due to a jointly controlled entity			803,535				803,535
Unallocated corporate liabilities							418,159,805
Consolidated total liabilities							576,264,840

OTHER INFORMATION

	Manufacture of watches HK$	Trading of watch movements HK$	Property development HK$	Property investment HK$	Trading of securities HK$	Unallocated HK$	Consolidated HK$
Capital additions	3,892,320	5,894,658	73,473,585	379,430	–	–	83,639,993
Depreciation and amortisation	16,306,018	2,299,247	2,339,708	305,358	–	–	21,250,331
Revaluation increase in investment properties	–	–	–	22,500,000	–	–	22,500,000

Geographical segments

The Group's operations are located in Hong Kong, North America and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2005 HK$	2004 HK$	**2005 HK$**	2004 HK$
Hong Kong and other regions in the People's Republic of China (the ''PRC'')	**664,291,747**	712,341,071	**34,352,680**	58,288,030
North America	**186,508,087**	55,267,885	**13,696,789**	(4,079,603)
Europe	**173,244,075**	148,409,157	**17,321,922**	(6,815,387)
Others	**2,929,427**	18,100,988	**303,078**	98,416
	1,026,973,336	934,119,101	**65,674,469**	47,491,456

4. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the carrying amount of segment assets, additions to property, plant and equipment, properties under development and development costs, analysed by the geographical area in which the assets are located:

2005

	Carrying amount of total assets HK$	Additions to investment properties HK$	Additions to property, plant and equipment HK$	Additions to properties under development HK$
Hong Kong and the PRC	744,276,977	38,588,160	30,081,034	68,301,815
North America	431,902,404	–	145,691	76,540,895
Europe	4,530,997	–	–	–
Others	162,864	–	–	–
Total segment assets	1,180,873,242	38,588,160	30,226,725	144,842,710

2004

	Carrying amount of total assets HK$	Additions to investment properties HK$	Additions to property, plant and equipment HK$	Additions to properties under development HK$
Hong Kong and the PRC	586,310,528	–	9,959,516	21,165,198
North America	305,904,790	–	2,774,209	49,741,070
Others	16,678,604	–	–	–
Total segment assets	908,893,922	–	12,733,725	70,906,268

5. OTHER OPERATING INCOME

	2005 HK$	2004 HK$
Bank interest income	**584,819**	189,416
Dividend income from unlisted investments	**186,159**	–
Gain on disposal of property, plant and equipment	**–**	676,240
Management fee income received from jointly controlled entities (note)	**–**	84,426
Management fee income received from others	**2,960,700**	–
Net exchange gain	**–**	11,334,766
Sundry income	**1,976,408**	1,335,600
	5,708,086	13,620,448

Note:

Management fee income was charged at a fixed percentage on the total certified construction costs incurred by the projects undertaken by the jointly controlled entities.

6. PROFIT FROM OPERATIONS

	2005 HK$	2004 HK$
Profit from operations has been arrived at after charging:		
Amortisation of development costs included in administrative expenses	**133,709**	1,257,420
Auditors' remuneration	**853,271**	878,737
Depreciation of:		
Owned assets	**13,780,171**	16,405,016
Assets held under finance leases	**3,333,989**	3,587,895
	17,114,160	19,992,911
Less: Amount capitalised to properties under development	**(242,370)**	–
	16,871,790	19,992,911
Impairment on investment in securities (included in administrative expenses)	**199,801**	–
Loss on disposal of property, plant and equipment	**302,021**	–
Minimum lease payments for operating leases in respect of land and buildings	**2,998,477**	2,367,326
Staff costs including directors' emoluments	**94,269,626**	88,363,995
Less: Amount capitalised to properties under development	**(8,960,074)**	(9,776,223)
	85,309,552	78,587,772
Exchange loss, net	**9,503,580**	–
and after crediting:		
Gross rental income from properties	**5,521,668**	7,901,063
Less: Outgoings	**(507,843)**	(459,871)
Net rental income from properties	**5,013,825**	7,441,192

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$5,346,968 (2004: HK$3,281,291) are included in staff costs.

7. FINANCE COSTS

	2005 HK$	2004 HK$
Interest on:		
Bank loans and overdrafts		
Wholly repayable within five years	**13,295,938**	8,807,118
Not wholly repayable within five years	**2,339,102**	3,357,278
Obligations under finance leases	**208,552**	327,371
Total borrowing costs	**15,843,592**	12,491,767
Less: Amount capitalised to properties under development	**(9,768,100)**	(6,661,489)
	6,075,492	5,830,278

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6% (2004: 6%) to expenditure on properties under development.

8. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2005 HK$	2004 HK$
Fees		
Executive directors	**250,000**	250,000
Independent non-executive directors	**437,500**	350,000
Non-executive directors	**29,167**	–
	716,667	600,000
Other emoluments (executive directors)		
Salaries and other benefits	**13,040,808**	13,985,300
	13,757,475	14,585,300

Included in salaries and other benefits is an amount of HK$3,535,741 (2004: HK$2,252,500) in respect of accommodation provided to the directors of the Company.

Besides above remuneration, two of the Group's properties are provided to the directors as an accommodation. The rateable value of the property is amounting to HK$503,280 (2004: HK$447,000).

The emoluments of the directors are within the following bands:

	Number of directors	
	2005	2004
HK$		
Nil – 1,000,000	**5**	3
1,500,001 – 2,000,000	**2**	1
2,000,001 – 2,500,000	**–**	1
3,500,001 – 4,000,000	**1**	1
5,500,001 – 6,000,000	**1**	1
	9	7

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2004: four) are directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining one (2004: one) individual are as follows:

	2005 HK$	2004 HK$
Salaries and other benefits	**4,060,000**	2,560,000

The emoluments were within the following band:

	No. of employees	
	2005	2004
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–

9. INCOME TAX EXPENSE (CREDIT)

	2005 HK$	2004 HK$
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	**2,837,849**	668,675
Under(over)provision in prior years	**81,456**	(88,750)
	2,919,305	579,925
Other jurisdictions - current year	**39,861**	(11,728)
	2,959,166	568,197
Deferred tax liabilities (note 29)	**–**	–
Taxation attributable to the Company and its subsidiaries	**2,959,166**	568,197
Share of taxation attributable to an associate	**279,911**	–
	3,239,077	568,197

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The taxation charge for the year can be reconciled to profit before taxation per the income statement as follows:

	2005 HK$	2004 HK$
Profit before taxation	**61,124,433**	51,761,618
Tax at the domestic income tax rate of 17.5%	**10,696,776**	9,058,283
Tax effect of expenses not deductible for tax purpose	**2,219,203**	466,087
Tax effect of income not taxable for tax purpose	**(6,552,689)**	(11,319,542)
Tax effect of share of result of an associate	**532**	–
Tax effect of share of results of jointly controlled entities	**12,424**	–
Tax effect of deductible temporary differences not recognised	**(1,711,586)**	–
Tax effect of tax losses not recognised	**4,215,601**	4,990,659
Tax effect on different tax rate of operations in other jurisdictions	**(330,814)**	(94,950)
Utilisation of tax losses previously not recognised	**(2,401,900)**	(1,864,400)
Under(over)provision in prior years	**81,456**	(88,750)
Effect of tax exemption (note)	**(2,964,236)**	(1,277,902)
Others	**(25,690)**	698,712
Taxation charge for the year	**3,239,077**	568,197

Note:

The profits of certain subsidiaries are subject to Hong Kong Profits Tax on a 50:50 apportionment basis.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year of HK$57,885,356 (2004: HK$51,193,421) and on the weighted average number of 1,106,014,684 (2004: 1,145,864,567) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares in both years.