

Report of the Directors

The Board of Directors (the “Board”) presents the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2006.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 43 to the financial statements.

Analysis of the performance of the Group for the year by business and geographical segments is set out in note 7 to the financial statements.

Results and Dividend

The results of the Group for the year are set out in the consolidated profit and loss account on page 39.

The Board proposes to declare a final dividend of 1.0 HK cent per share (2005: 1.0 HK cent per share) payable on or before 11th September, 2006 to shareholders whose names appear on the Company’s register of members on 18th August, 2006. No interim dividend has been declared in respect of the current financial year (2005: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2005: 1.0 HK cent per share).

Subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 43 to the financial statements.

Reserves

Movements in reserves during the year are set out in note 33 to the financial statements.

Property, Plant and Equipment

Movements in property, plant and equipment during the year are set out in note 18 to the financial statements.

Particulars of Properties

Particulars of investment properties, buildings, properties for sale, land use rights and development rights held by the Group are set out on page 105 to page 107.

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Share Capital

Movements in share capital during the year are set out in note 32 to the financial statements.

Donations

During the year, the Group made charitable and other donations amounting to HK\$1,212,000.

Pre-emptive Rights

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

Financial Summary

A summary of the results, assets and liabilities of the Group for the five years ended 31st March, 2006 is shown on page 108.

Directors

The Directors of the Company during the year and up to the date of this report are as follows:

Dr. Hwang Jen	
Mr. Lee Sai Wai	
Miss Ann Li Mee Sum	
Mr. Tang Wing Lun	
Mr. Sunny Pang Chun Kit	
Ms. So Kan Yiu	(appointed on 20th February, 2006)
Mr. David Chu Yu Lin	
Dr. Peter Po Fun Chan	
Mr. Chan Wai Dune	(appointed on 1st June, 2005)
Mr. Chan Sheung Chiu	(deceased to be a Director on 27th June, 2005)

In accordance with the Company's Bye-law nos. 85(2) and 86(3), and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Dr. Hwang Jen, Miss Ann Li Mee Sum and Ms. So Kan Yiu will retire from the Board at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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Directors' Rights to Acquire Shares or Debentures

Other than the share option scheme adopted by the Company as disclosed in the section headed "Share Option Scheme" below, at no time during the year was the Company, any of its holding companies or its subsidiaries and fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st March, 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of shares	Interests in the Company	
		Capacity	Percentage of shareholding
Dr. Hwang Jen	523,923	Beneficial owner	0.05
Mr. Lee Sai Wai	1,600,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	500,000	Beneficial owner	0.05

On 29th March, 2006, the Company offered rights shares, in nil-paid form, to the qualifying shareholders (including the above Directors) pursuant to the rights issue announced on 6th March, 2006.

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Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

Name of Director	Interests in Chuang's Consortium International Limited ("CCIL")		
	Number of shares	Capacity	Percentage of shareholding
Mr. Lee Sai Wai	163,055,848	<i>Note</i>	11.03
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.05

Note: Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object and the trustee of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the Director.

During the year under review, none of the Directors and chief executive of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

Other than as disclosed herein, as at 31st March, 2006, none of the Directors and chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Contracts

There was no contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had, whether directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

None of the Directors has any service contract with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

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Substantial Shareholders

So far as is known to any Directors or chief executive of the Company and save as disclosed in the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at 31st March, 2006, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name of shareholder	Number of shares of the Company	Capacity	Percentage of shareholding
Profit Stability Investments Limited (“PSI”)	871,805,567	<i>Note 1</i>	68.08
CCIL	871,805,567	Interest of controlled corporation	68.08
Mr. Alan Chuang Shaw Swee (“Mr. Chuang”)	878,605,567	<i>Note 2</i>	68.61
Mrs. Chong Ho Pik Yu	878,605,567	<i>Note 3</i>	68.61

Note 1: Such interests comprised 615,695,645 shares in the Company beneficially owned by PSI and interests in 256,109,922 rights shares in the Company pursuant to an underwriting agreement entered into between the Company and CCIL dated 6th March, 2006.

Note 2: Interests in 871,805,567 shares in the Company arose through the interests in the relevant shares owned by PSI, a wholly owned subsidiary of CCIL. Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL. The remaining 6,800,000 shares in the Company are beneficially owned by him.

Note 3: Such interests arose by attribution through her spouse, Mr. Chuang.

Save as disclosed above, as at 31st March, 2006, there was no other person who was recorded in the register of the Company as having interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

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Controlling Shareholder's Interests in Contracts

There was no contract of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries at the balance sheet date or at any time during the year and up to the date of this report.

Borrowings

Bank loans of the Group are set out in note 34 to the financial statements.

Pledge of Assets

As at 31st March, 2006, the Group has pledged the shares and assets of certain subsidiaries, including investment properties, land use rights and properties for/under development, with an aggregate net book value of HK\$681,667,000 (2005: HK\$684,801,000, as restated) to secure banking facilities granted to the subsidiaries.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

Major Suppliers and Customers

The aggregate purchases attributable to the largest supplier and five largest suppliers of the Group accounted for 41% and 48% respectively of the total purchases of the Group for the year.

The aggregate sales attributable to the largest customer and five largest customers of the Group accounted for 16% and 40% respectively of the total turnover of the Group for the year.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) has any interest in the five largest suppliers or customers of the Group.

Retirement Schemes

Details of retirement schemes of the Group are set out in note 10 to the financial statements.

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Share Option Scheme

Pursuant to the ordinary resolution passed in the annual general meeting held on 26th August, 2002, a share option scheme (the “Scheme”) has been adopted.

Summary of the Scheme is set out as follows:

1. Purpose: To give incentive to Directors, employees or business consultants of the Group and any other party as approved under the Scheme
2. Participants: Including, inter alia, Directors, employees or business consultants of the Group
3. Total number of shares available for issue under the Scheme and percentage of the issued share capital that it represents as at the date of the annual report: 102,443,969 shares are available for issue under the Scheme, representing 8% of the issued share capital as at the date of this report
4. Maximum entitlement of each participant: 1% of the maximum aggregate number of shares that may be issued within 12 months pursuant to the Scheme
5. Period within which the securities must be taken up under an option: Not applicable. No share option has been granted since the adoption of the Scheme on 26th August, 2002
6. Amount payable on acceptance of an option and the period within which payments shall be made: HK\$1.00 payable to the Company upon acceptance of the option which should be taken up within 28 days from the date of offer for option (“Offer Date”) (which must be a trading day)
7. The basis of determining the exercise price: No less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the Offer Date (which must be a trading day); (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five (5) trading days immediately preceding the Offer Date; and (iii) the nominal value of a share
8. The remaining life of the Scheme: Valid until 25th August, 2012 unless otherwise terminated under the terms of the Scheme

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Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st March, 2006.

Auditors

The financial statements for the year were audited by Messrs PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

The financial statements for the year ended 31st March, 2004 were audited by Messrs Moores Rowland Mazars.

On behalf of the Board of
Chuang's China Investments Limited

Ann Li Mee Sum
Managing Director

Hong Kong, 3rd July, 2006