

On behalf of the Board of Directors, I have pleasure in presenting the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006.

BUSINESS REVIEW

The Group faced unprecedented challenges in the financial year ended 31 March 2006. The garment division and the securities trading division delivered less than satisfactory performance. To combat the challenging operating conditions, the Group undertook a series of measures to improve cost effectiveness and operational efficiency.

In view of the severe market competition faced by the existing operations, the Group actively explored growth opportunities in other sectors. In December 2005, the Group issued four-year convertible notes to Town Health International Holdings Company Limited, one of the largest private medical service providers in Hong Kong, thereby raising approximately HK\$60 million. Most of the proceeds is utilised in setting up a large health check and laboratory centre in Hong Kong.

The initial investment of the centre is HK\$70 million to HK\$80 million. The approximate 20,000 square feet centre is located at Majestic Centre on Nathan Road, a high traffic region in Tsimshatsui. Equipped with advanced medical diagnosis equipment, the centre provides one-stop health check and laboratory services, comprising primarily body check, medical laboratory, advanced diagnostic imaging services and day care observation services. The comfortable and stylish setting of the centre helps to relieve the anxiety and stress of the waiting patients, which effectively differentiates the centre from other laboratory centres and hospitals offering similar services.

In March 2006, the Group made an order to Siemens Limited, an internationally renowned medical equipment supplier, for equipment with a total value of HK\$54.8 million, including MRI System, PET/CT Scanner and Mammography System etc. To further improve the standard of its operational and financial management, the Board was reorganised with Mr. Cho Kwai Yee, Kevin, Ms. Choi Ka Yee, Crystal and Mr. Siu Kam Chau as executive directors in March 2006. In May 2006, Dr. Fung Yiu Tong, Bennet was also appointed into the Board as an executive director. In addition, the Company was officially renamed as "Town Health Medical Technology Holdings Company Limited" in the beginning of the year to better reflect the development of its new operations in the future.

PROSPECTS

The increasingly hectic lifestyle and heavy workload in the city has given birth to the prevalence of urban illnesses. People are increasing concern about healthcare and prevention of sickness as "Prevention is the Best Cure". The prevailing awareness of healthcare helps improve life expectancy while also creates opportunities for the health check and laboratory sectors. Therefore, the Group expanded its business scope to the healthcare sector in a bid to achieving a breakthrough in its business.

Currently, health check centres in Hong Kong are generally limited in operating scale and variety of checking and testing services. Against this backdrop, the Group intends to set up a one-stop health check centre with a site area of about 20,000 square feet, primarily providing services like body checks, medical tests, advanced imaging diagnosis and daytime patient monitor. Given such unique operating model which caters for the market demand, it is believed that the centre will be warmly received upon commencement of operation, contributing to a surge in the Group's turnover. Preparation work of the centre is in smooth progress and the centre is expected to start business by the fourth quarter of this year.

With the continued de-regulation of the PRC medicare market, a flourish prospect is anticipated for the privately-owned medicare service sector. Hence, the Group will actively explore the feasibility of expanding its health check operations into the PRC through introduction of the operating model of the one-stop health check centre.

CONCLUSION

Although the Group's business is in an early stage of development, the Board is fully confident in its future prospects. It is believed that, upon commencement of the health check and laboratory business, the Group will see a sharp breakthrough in both turnover and earnings.

APPRECIATION

I would like to take this opportunity, on behalf of the Board of Directors, to extend my sincere appreciation to all suppliers, customers, shareholders, board members as well as staff for their hard work and valuable contribution.

Chi Chi Hung, Kenneth

Chairman

Hong Kong, 28 June 2006