



BYFORD INTERNATIONAL LIMITED
百富國際有限公司

(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2003

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”).

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (the “Directors”) of Byford International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



The Board of Directors (“The Board”) of Byford International Limited (“The Company”) announces the unaudited consolidated results of the company and its subsidiaries (The “Group”) for the three months and six months ended 30th June, 2003 together with comparative unaudited figures for the corresponding periods in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

		Six months ended 30th June,					
		2003			2002		
		Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations	Total
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		23,147	–	23,147	20,058	1,686	21,744
Cost of sales		(12,126)	–	(12,126)	(12,056)	(1,374)	(13,430)
Gross profit		11,021	–	11,021	8,002	312	8,314
Other operating income		233	–	233	246	–	246
Selling and distribution costs		(2,654)	–	(2,654)	(2,215)	(220)	(2,435)
Administrative expenses		(5,717)	–	(5,717)	(4,964)	(337)	(5,301)
Profit (loss) from operations	5	2,883	–	2,883	1,069	(245)	824
Finance costs		(696)	–	(696)	(764)	(20)	(784)
Profit (loss) before taxation		2,187	–	2,187	305	(265)	40
Taxation	6	(69)	–	(69)	(24)	–	(24)
Profit (loss) for the period		2,118	–	2,118	281	(265)	16
		<i>HK cents</i>			<i>HK cents</i>		
Earnings per share	8						
– Basic		1.30			0.01		
– Diluted		1.30			N/A		



		Three months ended 30th June,				
		2003			2002	
		Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		9,966	–	9,966	10,109	699
Cost of sales		(4,978)	–	(4,978)	(6,049)	(562)
Gross profit		4,988	–	4,988	4,060	137
Other operating income		163	–	163	44	–
Selling and distribution costs		(1,171)	–	(1,171)	(1,020)	(81)
Administrative expenses		(2,735)	–	(2,735)	(2,348)	(112)
Profit (loss) from operations	5	1,245	–	1,245	736	(56)
Finance costs		(350)	–	(350)	(371)	(6)
Profit (loss) before taxation		895	–	895	365	(62)
Taxation		(57)	–	(57)	(12)	–
Profit (loss) for the period		838	–	838	353	(62)
				HK cents	HK cents	
Earnings per share	8					
– Basic		0.50			0.18	
– Diluted		0.50			N/A	



CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2003

		30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
	Notes		
Non-current assets			
Trademarks		16,088	16,547
Plant and equipment		2,377	2,705
		<u>18,465</u>	<u>19,252</u>
Current assets			
Inventories		7,615	5,690
Trade receivables	9	10,588	11,444
Other receivables, deposits and prepayments		571	1,107
Amounts due from related companies		–	34
Restricted cash	10	25,320	–
Bank balances and cash		236	77
		<u>44,330</u>	<u>18,352</u>
Current liabilities			
Trade payables	11	7,096	7,242
Other payables and accruals		14,760	9,158
Amounts due to directors		80	317
Amounts due to related companies		–	392
Taxation payable		228	508
Obligations under finance leases – due within one year		394	394
Bank borrowings – due within one year	12	10,346	11,295
		<u>32,904</u>	<u>29,306</u>
Net current assets (liabilities)		<u>11,426</u>	<u>(10,954)</u>
Total assets less current liabilities		<u>29,891</u>	<u>8,298</u>
Non-current liabilities			
Obligations under finance leases – due after one year		647	863
Bank borrowings – due after one year	12	4,188	4,926
		<u>4,835</u>	<u>5,789</u>
Net assets		<u>25,056</u>	<u>2,509</u>
Capital and reserves			
Share capital	13	2,000	7,205
Reserves		23,056	(4,696)
Shareholders' funds		<u>25,056</u>	<u>2,509</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002	4,162	–	–	(304)	(7,855)	(3,997)
Effect of exchange differences arising from translation of financial statements of overseas subsidiaries and net gain not recognised in the income statement	117	–	–	160	–	277
Issue of shares	1,300	–	–	–	–	1,300
Profit for the period	–	–	–	–	16	16
At 30th June, 2002	<u>5,579</u>	<u>–</u>	<u>–</u>	<u>(144)</u>	<u>(7,839)</u>	<u>(2,404)</u>
At 1st January, 2003	7,205	–	–	(126)	(4,570)	2,509
Share capital eliminated on Group Reorganisation	(7,205)	–	7,205	–	–	–
Special reserve arising on Group Reorganisation	–	–	1	–	–	1
Issue of shares upon conversion of convertible note	–	4,680	–	–	–	4,680
Issue of shares by way of capitalisation of share premium account	1,578	(1,578)	–	–	–	–
Issue of shares on placing	422	24,898	–	–	–	25,320
Expenses incurred in connection with issue of shares	–	(9,572)	–	–	–	(9,572)
Profit for the period	–	–	–	–	2,118	2,118
At 30th June, 2003	<u>2,000</u>	<u>18,428</u>	<u>7,206</u>	<u>(126)</u>	<u>(2,452)</u>	<u>25,056</u>

The special reserve represents the difference between the nominal value of the shares of D Byford Holdings Limited, which was the holding company of other members of the Group prior to the Group Reorganisation and the nominal value of the Company's shares issued for share exchange at the time of the Group Reorganisation.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Six months ended 30th June,	
	2003 (Unaudited) <i>HK\$'000</i>	2002 (Unaudited) <i>HK\$'000</i>
Net cash generated from (used in) operating activities	959	(660)
Net cash used in investing activities	(80)	(144)
Net cash generated from financing activities	<u>25,358</u>	<u>611</u>
Increase (decrease) in cash and cash equivalents	26,237	(193)
Cash and cash equivalents at beginning of the period	(5,999)	(5,640)
Effect of foreign exchange rate changes	<u>—</u>	<u>203</u>
Cash and cash equivalents at end of the period	<u>20,238</u>	<u>(5,630)</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	25,556	49
Bank overdrafts	<u>(5,318)</u>	<u>(5,679)</u>
	<u>20,238</u>	<u>(5,630)</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *FOR THE SIX MONTHS ENDED 30TH JUNE, 2003*

1. GROUP REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability in Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 22nd January, 2003.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 10th June, 2003.

The shares of the Company were listed on the GEM of the Stock Exchange on 27th June, 2003.

The consolidated results for each of the three months and the six months ended 30th June, 2002 and 2003 are prepared as if the current group structure had been in existence throughout the periods, or since their respective dates of incorporation, where this is a shorter period.

Details of the Group Reorganisation were set out in the prospectus of the Company dated 23rd June, 2003.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the International Accounting Standard 34 "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the condensed consolidated financial statements are consistent with the accounting policies used in the preparation of the Accountants' Report as included in the prospectus of the Company dated 23rd June, 2003.



4. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Company's operations are regarded as a single segment comprising the sale and distribution of men's innerwear, socks and apparel, and related royalties income.

An analysis of the Group's turnover and results by geographical market is as follows:

For the six months ended 30th June, 2003

	Malaysia HK\$'000	Singapore HK\$'000	Dubai HK\$'000	Other HK\$'000	Total HK\$'000
Segment turnover					
Continuing operations					
Sale of men's innerwear, socks and apparel	8,734	8,597	2,687	804	20,822
Royalties income	—	—	—	2,325	2,325
	<u>8,734</u>	<u>8,597</u>	<u>2,687</u>	<u>3,129</u>	<u>23,147</u>
Discontinuing operations					
Sale of children's wear	—	—	—	—	—
	<u>8,734</u>	<u>8,597</u>	<u>2,687</u>	<u>3,129</u>	<u>23,147</u>
Segment result					
Continuing operations					
Sale of men's innerwear, socks and apparel	1,112	675	202	61	2,050
Royalties income	—	—	—	833	833
	<u>1,112</u>	<u>675</u>	<u>202</u>	<u>894</u>	<u>2,883</u>
Discontinuing operations					
Sale of children's wear	—	—	—	—	—
	<u>1,112</u>	<u>675</u>	<u>202</u>	<u>894</u>	<u>2,883</u>
Finance costs					<u>(696)</u>
Profit before taxation					<u>2,187</u>



4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

For the six months ended 30th June, 2002

	Malaysia HK\$'000	Singapore HK\$'000	Dubai HK\$'000	Other HK\$'000	Total HK\$'000
Segment turnover					
Continuing operations					
Sale of men's innerwear, socks and apparel	8,397	8,085	2,145	35	18,662
Royalties income	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,396</u>	<u>1,396</u>
	8,397	8,085	2,145	1,431	20,058
Discontinuing operations					
Sale of children's wear	<u>504</u>	<u>1,182</u>	<u>—</u>	<u>—</u>	<u>1,686</u>
	<u>8,901</u>	<u>9,267</u>	<u>2,145</u>	<u>1,431</u>	<u>21,744</u>
Segment result					
Continuing operations					
Sale of men's innerwear, socks and apparel	(384)	649	172	3	440
Royalties income	<u>—</u>	<u>—</u>	<u>—</u>	<u>628</u>	<u>628</u>
	(384)	649	172	631	1,068
Discontinuing operations					
Sale of children's wear	<u>(309)</u>	<u>65</u>	<u>—</u>	<u>—</u>	<u>(244)</u>
	<u>(693)</u>	<u>714</u>	<u>172</u>	<u>631</u>	<u>824</u>
Finance costs					<u>(784)</u>
Profit before taxation					<u>40</u>



5. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30th June,					
	2003			2002		
	Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations	Total
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Profit (loss) from operations has been arrived at after charging (crediting):						
Amortisation on trademarks included in administrative expenses	459	–	459	459	–	459
Depreciation	408	–	408	383	34	417
Gain on disposal of plant and equipment	–	–	–	(18)	–	(18)
Operating lease payments in respect of land and buildings	733	–	733	670	58	728
Interest on:						
Borrowings wholly repayable within five years	394	–	394	397	18	415
Borrowings not wholly repayable within five years	266	–	266	333	–	333
Finance leases	36	–	36	34	2	36

6. TAXATION

	Six months ended 30th June,					
	2003			2002		
	Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations	Total
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
The charge comprises:						
Malaysia income tax	24	–	24	24	–	24
Singapore income tax	45	–	45	–	–	–
	69	–	69	24	–	24

The Malaysia income tax and Singapore income tax are calculated at a rate of 28% (2002: 28%) and 22% (2002: 22%), respectively, on the assessable profits of the Group arising in respective jurisdiction during both periods.

The Group's income neither arises in, nor is derived from, Hong Kong and is therefore not subject to Hong Kong Profits Tax.

There is no significant unprovided deferred taxation for both periods or at the respective balance sheet dates.



7. DIVIDEND

The directors do not recommend the payment of a dividend for the three months or the six months ended 30th June, 2003 (2002: Nil).

8. EARNINGS PER SHARE

	Three months ended 30th June,		Six months ended 30th June,	
	2003	2002	2003	2002
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings for the purpose of calculating earnings per share	<u>838</u>	<u>291</u>	<u>2,118</u>	<u>16</u>
Number of shares:				
Weighted average number of shares for the purpose of basic earnings per share (<i>Note</i>)	168,911,111	157,800,000	163,355,556	157,800,000
Weighted average number of shares for the purpose of diluted earnings per share (<i>Note</i>)	<u>169,297,851</u>	<u>N/A</u>	<u>163,548,926</u>	<u>N/A</u>

Note:

The calculation of the basic earnings per share for the three months and the six months ended 30th June, 2003 and the corresponding periods is based on the Group's profit for the periods and on the weighted average number of shares of the Company that would have been in issue throughout the period on the assumption that the Group Reorganisation had been completed at the beginning of 1st January, 2002.

The calculation of the diluted earnings per share for the three months and six months ended 30th June, 2003 is based on the Group's profit for the periods and on the weighted average number of the shares of the Company (after taking into account of the dilutive effect of the number of shares issuable under the share option scheme of the Company). No diluted earnings per share for the three months and six months ended 30th June, 2002 is presented as there is no dilutive potential share in issue.



9. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 120 days to its trade customers. The aged analysis of trade receivables at the respective balance sheet dates is as follows:

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Within 30 days	4,236	5,128
31 – 60 days	3,808	3,120
61 – 90 days	1,201	2,680
91 – 120 days	776	516
Over 120 days	567	–
	<u>10,588</u>	<u>11,444</u>

10. RESTRICTED CASH

At 30th June, 2003, the amount represents proceeds from the placing of the shares of the Company on 27th June, 2003 and is kept in the escrow account.

11. TRADE PAYABLES

The aged analysis of trade payables at the respective balance sheet dates is as follows:

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Within 30 days	1,936	2,888
31 – 60 days	1,849	1,008
61 – 90 days	1,773	1,676
91 – 120 days	463	253
Over 120 days	1,075	1,417
	<u>7,096</u>	<u>7,242</u>



12. BANK BORROWINGS

	30th June, 2003 (Unaudited) HK\$'000	31st December, 2002 (Audited) HK\$'000
Bank overdrafts	5,318	6,076
Trust receipt loans	3,551	3,740
Bank loans	5,665	6,405
	<u>14,534</u>	<u>16,221</u>
Less: Amount due within one year shown under current liabilities	(10,346)	(11,295)
	<u>4,188</u>	<u>4,926</u>

13. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.01 each</i>		
At the date of incorporation (<i>note i</i>)	38,000,000	380
Increased during the period (<i>note ii</i>)	962,000,000	9,620
	<u>1,000,000,000</u>	<u>10,000</u>
At 30th June, 2003		
Issued and fully paid:		
<i>Ordinary shares of HK\$0.01 each</i>		
Issue of share to initial subscriber (<i>note i</i>)	1	—
Issue of shares (<i>note iii</i>)	14,099	—
Issue of shares on acquisition of a subsidiary (<i>note iv</i>)	14,100	—
Issue of shares upon conversion of convertible note (<i>note v</i>)	1,800	—
Issue of shares by capitalisation of the share premium account (<i>note vi</i>)	157,770,000	1,578
Issue of shares on placing (<i>note vii</i>)	42,200,000	422
	<u>200,000,000</u>	<u>2,000</u>
At 30th June, 2003		

Details of the changes in the Company's share capital for the period from 22nd January, 2003 (date of incorporation) to 30th June, 2003 are as follows:

- (i) The Company was incorporated on 22nd January, 2003 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One share was allotted and issued to the initial subscriber of the Company on the date of incorporation.



13. SHARE CAPITAL *(Continued)*

- (ii) Pursuant to a written resolution passed by the then shareholders of the Company on 10th June, 2003, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of additional 962,000,000 ordinary shares of HK\$0.01 each.
- (iii) On 10th June, 2003, the Company allotted and issued 14,099 ordinary shares of HK\$0.01 each at par to the then existing shareholders. These new shares rank pari passu in all respects with the then existing shares.
- (iv) On 10th June, 2003, the Company issued 14,100 ordinary shares of HK\$0.01 each for the acquisition of D Byford Holdings Limited ("D Byford") pursuant to a reorganisation agreement. D Byford was the holding company of other members of the Group prior to the Group Reorganisation.
- (v) Pursuant to a subscription agreement, the holder of the convertible note converted into 1,800 ordinary shares of the Company of HK\$0.01 each on 10th June, 2003. These new shares rank pari passu in all respects with the then existing shares.
- (vi) Pursuant to a written resolution passed by the then shareholders of the Company on 10th June, 2003, the Company allotted and issued a total of 157,770,000 ordinary shares of HK\$0.01 each to the then existing shareholders by way of capitalisation of the sum of HK\$1,577,700 standing to the credit of the share premium account of the Company. These new shares rank pari passu in all respects with the then existing shares.
- (vii) On 27th June, 2003, the Company placed 42,200,000 ordinary shares of HK\$0.01 each to professional, institutional and other investors at a price of HK\$0.60 per share. These new shares rank pari passu in all respects with the then existing shares.

The share capital at 30th June, 2002 shown on the consolidated balance sheet represents the issued and fully paid share capital of Byford Marketing (S) Pte. Ltd., Donald Byford & Sons Sdn. Bhd. and Donald Byford & Sons Limited, the subsidiaries of the Company, prior to the Group Reorganisation.

14. RELATED PARTY TRANSACTIONS

The Group had the following related party transaction during the period ended 30th June, 2002:

Name of related party	Nature of transaction	Six months ended 30th June,	
		2003	2002
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
KT Concepts Sdn. Bhd.	Management fee income	—	158



MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

Byford International Limited has achieved good progress compared to prior period with overall turnover of the Group for the six months ended 30th June, 2003 ("the Reporting Period") turnover increasing by 6.5% year on year to HK\$23,147,000. Excluding discontinuing operations, turnover increased by 15.4%.

The Byford brand continues to gain market presence and share especially in Asia and Greater China, where the brand has high consumer recognition and following.

Turnover from various geographical segments excluding discontinuing operations all show stable growth rates of 4%, 6.3% for Malaysia and Singapore, respectively, and export to Dubai under Integrated Global Sourcing Platform ("IGS") achieving 25.3%.

Operating profit

Operating profit for the Reporting Period increased by nearly 350% to HK\$2,883,000 compared to HK\$824,000 as a result of the following contributing factors:

- Gross margin increased to 47.6% from 40% exclude discontinuing as a result of improved pricing from suppliers and contribution from IGS;
- Selling and distribution costs remained in line with increased turnover at 11.5% compared to 11.1% for 2002; and
- Administrative expenses were also kept in line at 24.7% (2002: 24.4%) of turnover.

Finance costs

Finance costs have reduced by 11.2% to HK\$696,000 as a result of the convertible note of HK\$4,680,000 issued in January 2003 to increase the Group's working capital. The convertible note was converted into shares of the Group on 10th June, 2003.

Net profit

Profit before taxation rose by 54 times to HK\$2,187,000 from HK\$40,000 and profit after tax margin on sales improved to 9.2% from 0.1% mainly as a result of discontinuing children's wear operations. The effective tax rate was 3.2% for the Reporting Period due to the effect of unutilised tax losses. Profit after tax increased to HK\$2,118,000 compared to HK\$16,000.



Liquidity and Financial Resources

On 27th June, 2003, the Group's successfully listed its shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Ltd, generating gross proceeds of HK\$25,320,000.

During the Reporting Period, the Group generated HK\$959,000 from operations and ended the period with net cash of HK\$20,238,000. The Group's current ratio improved to 1.35: 1. Debtor days stood at 83 while creditor days were 107.

As at 31st July, 2003, accounts receivable of 31.3% or HK\$3,314,000 of the balance outstanding at 30th June, 2003 was settled. Stock turnover over cost of sales reduced to 3.2 times from 4.2 times in June 2002 due to a relatively large purchase prior to the Reporting Period end to satisfy the stock requirements of a major customer. The Group's gearing ratio improved as a result of the proceeds from IPO and fell to 38.3%.

At the Reporting Period end, total bank borrowings of HK\$14,534,000 were outstanding and the Group has trademarks and assets pledged as security for its banking facilities. There has been no major capital expenditure during the Reporting Period.

Subsequent events and use of proceeds from IPO

On 8th July, 2003, the gross proceeds from the IPO of HK\$25,320,000 held in escrow was released by the lead manager to the Group. The Group will place the funds with authorised banks pending the proposed implementation of its business objectives as outlined in the Company's prospectus dated 23rd June, 2003 (the "Prospectus").

BUSINESS REVIEW

Trading

With the successful introduction of new product packaging and categories, sales of men's innerwear, socks and apparel during the Reporting Period rose 11.6% year-on-year to HK\$20,822,000. During the Reporting Period the Group has taken steps to improve product quality and adopt marketing strategies that emphasize on capturing additional market share and improving profitability.

As result of enhanced product quality and lower sourcing costs, revenues from IGS trade during the Reporting Period increased by 25.3% from HK\$2,145,000 to HK\$2,687,000.



Licensing

During the Reporting Period, the Group has accelerated the implementation of the new Byford corporate identity and had also put in place additional measures to control all aspects of the brand's visual presentation. Clear and distinctive packaging was created to segment and communicate our products internationally.

Business Objectives

Details of the Group's business objectives are set out in the section headed "Statement of Business Objectives" in the Prospectus. Saves as disclosed above, the Company has no other investment plan as at 30th June, 2003.

Comparison between Business Objectives and actual business growth

Business Objectives stated in the Prospectus

Actual progress as at 30th June, 2003

Brand Building

The Group have appointed a PR company in the U.K. to further promote the Byford brand in the U.K.

The Group had jointly sponsored a social event in Hong Kong to further promote Byford products.

Developing new license territory

The Group is continuing in its efforts to research and seek new licensees particularly in Asia and the Middle East.

Developing new distribution markets

The Group is continuing in its efforts to research and explore business opportunities in new distribution markets.

Integrated Global Sourcing

The Group is increasing its effort to widen the licensee participation of IGS and has begun discussions to introduce new products ranges on to the IGS platform.



Outlook

Looking ahead into the second half of this financial year, the Management expect the growth momentum to continue despite the challenging global operating conditions.

The Group will implement plans to undertake its business objectives as outlined in the Prospectus. Based on our competitive pricing and market strategy, coupled with tight control over costs, we believe we will be able to continue to capture additional market share and achieve our profit for the full year ending 31st December, 2003 of HK\$7.6 million as stated in the Prospectus forecasted. With additional product ranges and more Licensees sourcing through our IGS platform, IGS trade is expected to rise in the second half. The Group will continue to research Asia and the Middle East as part of the Management's plan to seek new Licensees in these regions.

With our proven product quality, committed management team and stronger financial position, we are confident that the Group will be able to deliver the earnings growth forecasted for this year.

Corporate governance

The Group is committed to implementing good corporate governance and transparency in its financial statements. With this goal in mind, the Group has engaged its auditors, Messrs Deloitte Touche Tohmatsu to review the interim results for the Reporting Period. In addition, the Group has appointed two independent non-executive directors who are qualified accountants, Messrs. CHOW Chi-Kiong and YUE Kwai Wa, Ken to establish an Audit Committee, while Mr. CHOONG Khuat Leok, non-executive director will advise the Group with corporate finance and strategic planning. The bio-data of these directors are shown in the Prospectus.

Human Resources

At 30th June, 2003, the Group employed a total of 82 employees (2002: 86). The Group is committed to attracting, developing and retaining its people and offers competitive remuneration packages with bonuses and employee share options based on individual performance, experience and industry norms.



OTHER INFORMATION

Interim Dividend

The Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2003.

Sponsor's Interest

Pursuant to the agreement dated 23rd June, 2003 entered into between the Company and Kingston Corporate Finance Limited ("Kingston"), Kingston will receive a fee for acting as the Company's retained sponsor for the period commencing 27th June, 2003 and expires on 31st December, 2005 (being the last day of the second full financial year of the Company after its listing on the GEM). As at 30th June, 2003, none of Kingston, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Audit Committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee comprised of two independent non-executive Directors of the Company, namely Mr. Chow Chi Kiong, Vincent and Mr. Yue Kwai Wa, Ken. The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30th June, 2003.

Competing Interest

For the Reporting Period, the Directors' are not aware of any business or interest of the Directors, the management shareholders and their respective associates (as defined under the GEM Listing Rule) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.



Purchase, Sale or Redemption of Shares

During the six months period ended 30th June, 2003, neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Board Practices and Procedures

During the six months ended 30th June, 2003, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of GEM listing Rules.

DIRECTORS' PROFILE

Executive directors

Mr. Chai Sing Hong, aged 36, has been the Chairman, chief executive officer and executive Director of the Company since August 1999 and he is also the compliance officer of the Group. Mr. Chai is responsible for providing strategic planning as well as overall development and management to the Group. He has more than 12 years of experience in operating regional apparel manufacturing and marketing businesses in Malaysia and Singapore.

Ms. Chai Sing Fai, aged 45, has been an executive Director of the Group since August 1999. Ms. Chai is responsible for the administration of the Group and participates in the strategic planning and development of the Group. Ms. Chai has been a member of the Institute of Chartered Secretaries and Administrators of England and Wales since August 1987 and has more than 10 years of experience in managing the administration and operations of companies in Malaysia and Singapore. Ms. Chai is a sister of Mr. Chai Sing Hong.

Mr. Peter C. Duncan, aged 53, is an executive Director of the Group, Chief Executive of Donald Byford & Sons Limited and head of the Group's licensing team. He was engaged by the Group in Jun 2001. Mr. Duncan is responsible for the overall operation and planning of Donald Byford & Sons Limited and participates in the strategic planning and development of the Group. Mr. Duncan is a graduate of Cambridge University and presents lectures on brand licensing and marketing at Nottingham Trent University, England. Mr. Duncan has approximately 30 years of experience in the international apparel industry. Prior to joining in the Group, Mr. Duncan held key management positions in the major international apparel companies such as Viyella Menswear and Coats Viyella International Brand Marketing. Mr. Duncan was also responsible for the successful introduction of the Byford Brandname to Asia in the 1980s.



Non-executive directors

Mr. Choong Khuat Leok, aged 41, is a non-executive Director. Mr. Choong qualified as a chartered accountant in the UK and practiced in the accountancy profession since then until February 2003. He brings with him over 18 years experience in the corporate finance, assurance and advisory services lines.

Mr. Choong served as a member of the Hong Kong Society of Accountants' Auditing Standards Committee from 1993 to 1999 and is currently a fellow member of the Institute of Chartered Accountants in England and Wales, an associate and practising member of the Hong Kong Society of Accountants, a member of the Hong Kong Securities Institute and was an investment representative under the Hong Kong Securities Ordinance from March 2001 to February 2003.

Mr. Choong is an accountancy graduate of the London Guildhall University (formerly the City of London Business School) with a post-graduate MBA degree awarded by the J.L. Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology. Mr. Choong joined the Group in March 2003.

Independent non-executive directors

Mr. Chow Chi Kiong, aged 56, was appointed by the Company as a Director on 7th May, 2003. Mr. Chow has been a member of the American Institute of Certified Public Accountants and New York State Society of Certified Public Accountants since 1983, he has more than 30 years of experience in investment banking, banking, capital markets, private banking operations, fund management and business liquidations. Mr. Chow holds a Bachelor of Business Administration and an associate in Applied Science degree, both from the Pace University, New York. He is also an Associate Member of the Hong Kong Securities Institute. Mr. Chow has worked as a financial controller in the banking and investment banking industry in Hong Kong for 6 years.

Mr. Yue Kwai Wa, Ken, aged 37, was appointed by the Company as a Director on 7th May, 2003. He is a director of WinKas Company Limited, a financial and management consulting services company in Hong Kong. Prior to joining WinKas Company Limited, he worked in Dao Heng Securities Limited in various roles including compliance and finance between 1998 and 2002. He also worked at the Regulation Division of the Stock Exchange from June to September 1998. He worked in the accounting and audit field from 1993 to 1997 and is an associate member of the American Institute of Certified Public Accountants.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name	Type of interest	Number of issued shares held	% of issued share capital
Mr. Chai Sing Hong (Note)	Personal and Corporate	124,082,043	62.04%
Ms. Chai Sing Fai, Jane	Personal	13,717,957	6.86%

Note:

Donald Byford & Sons Pte. Limited, a company incorporated in Singapore holds 620,426 shares of the Company, representing 0.31% of the entire issued share capital of the Company. It is legally and beneficially owned as to 90% by Mr. Chai Sing Hong and 10% by Ms. Chai Sing Fai, Jane and accordingly, Mr. Chai Sing Hong is deemed to be interested in shares of the Company held by Donald Byford & Sons Pte. Limited under the SFO.

Long positions in underlying shares of the Company

The Company has adopted two share option schemes, namely the Employee Share Option Scheme and the Pre-IPO Share Option Scheme as defined in the prospectus dated 23rd June, 2003 issued by the Company.

Under the terms of the Employee Share Option Scheme adopted by the Company on 10th June, 2003, the board of directors of the Company (the "Board") or its duly authorised committee (the "Committee") may, at its absolute discretion, invite, inter alia, any employees, directors, shareholders, distributors and suppliers and such other persons whom the Board or the Committee considers to have contributed or will contribute to the Group to take up options to subscribe for the Company's shares. The Employee Share Option Scheme became effective upon the listing of the Company's shares on GEM on 27th June, 2003. No options had been granted under the Employee Share Option Scheme as at 30th June, 2003.



In recognition of the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of the shares of the Company on GEM, the Company adopted the Pre-IPO Share Option Scheme on 10th June, 2003. Pursuant to the terms of the Pre-IPO Share Option Scheme, options to subscribe for 20,000,000 shares of the Company were granted to 4 directors of the Company and 5 employees of the Group on 10th June, 2003, at an exercise price of HK\$0.30 per share in the Company.

Details of such options granted to the Directors under the Pre-IPO Share Option Scheme are as follows:

Name of grantee	Date of grant	Number of underlying shares of the Company	Outstanding as at 27th June, 2003 and 30th June, 2003	Percentage of the enlarged issued share capital of the Company
Mr. Chai Sing Hong	10th June, 2003	14,000,000	14,000,000	7%
Ms. Chai Sing Fai	10th June, 2003	2,000,000	2,000,000	1%
Mr. Peter C. Duncan	10th June, 2003	1,000,000	1,000,000	0.50%
Mr. Choong Khuat Leok	10th June, 2003	1,666,666	1,666,666	0.83%

The period during which the options granted pursuant to the Pre-IPO Share Option Scheme is exercisable is as follows:

Date when option may be exercised	Percentage of Shares comprised in the option which is exercisable
1. 12 months after 27th June, 2003	Up to 25%
2. 15 months after 27th June, 2003	Up to 50%
3. 21 months after 27th June, 2003	Up to 75%
4. 27 months after 27th June, 2003	Up to 100%

Save as disclosed above, as at 30th June, 2003, none of the directors or chief executive of the Company had interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules.



SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND PERSONS WITH INTERESTS IN THE COMPANY WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as the directors or chief executive of the Company are aware, as at 30th June, 2003, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which are required to be kept under section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity	Type of interest	Number of issued shares held	% of issued share capital
YST International Investment Fund	Beneficial owner	Other	12,000,000	6.00%
JAIC International (Hong Kong) Limited	(Note 1)	Other	12,000,000	6.00%
Japan Asia Investment Co. Ltd.	(Note 2)	Other	12,000,000	6.00%
Takefuji Corporation	(Note 3)	Other	12,000,000	6.00%
Chan Wai Yee	(Note 4)	Other	124,082,043	62.04%

Notes:

1. JAIC International (Hong Kong) Limited holds 1 unit in YST International Investment Fund representing approximately 8.33% of the entire issued units of YST International Investment Fund but is the investment manager of YST International Investment Fund and accordingly is deemed interested in the 12,000,000 shares of the Company held by YST International Investment Fund under the SFO.
2. Japan Asia Investment Co. Ltd. holds 1 unit in YST International Investment Fund representing approximately 8.33% of the entire issued units of YST International Investment Fund but is the investment manager of YST International Investment Fund and accordingly is deemed interested in the 12,000,000 shares of the Company held by YST International Investment Fund under the SFO.
3. Takefuji Corporation (a company listed on the First Section of The Tokyo Stock Exchange, Inc. and London Stock Exchange Plc.) holds 10 units in YST International Investment Fund representing approximately 83.33% of the entire issued units of YST International Investment Fund and accordingly is deemed interested in the 12,000,000 shares of the Company held by YST International Investment Fund under the SFO.
4. Ms. Chan Wai Yee is deemed to be interested in the 124,082,043 shares of the Company in which Mr. Chai Sing Hong, her spouse is interested under the SFO.



Long Positions in Underlying Shares

Ms. Chan Wai Yee is deemed to be interested in 14,000,000 underlying shares of the Company by virtue of the options granted to her spouse, Mr. Chai Sing Hong to subscribe for 14,000,000 shares of the Company pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above, as at 30th June, 2003, no person (not being a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which are required to be kept under section 336 of the SFO.

By order of the Board of
Byford International Limited
Chai Sing Hong
Chairman

Hong Kong, 14th August, 2003