



Byford
L O N D O N

BYFORD INTERNATIONAL LIMITED

百富國際有限公司

(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2003

Global
network

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 result misleading; and (3) all opinions expressed in this result have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATION INFORMATION

BOARD OF DIRECTORS

Chairman

Chai Sing Hong

Executive Directors

Ms. Chai Sing Fai

Peter C Duncan

Non-Executive Director

Choong Khuat Leok

Independent Non-Executive Directors

Chow Chi Kiong

Yue Kwai Wa, Ken

Company Secretary

Choong Khuat Leok

QUALIFIED ACCOUNTANT

Choong Khuat Leok

COMPLIANCE OFFICER

Chai Sing Hong

AUDIT COMMITTEE

Chow Chi Kiong

Yue Kwai Wa, Ken

AUTHORISED REPRESENTATIVES

Chai Sing Hong

SPONSOR

Kingston Corporate Finance Limited

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 303

3rd Floor, Printing House

6 Duddell Street

Central

Hong Kong

SHARE REGISTRARS

Standard Registrars Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

PRINCIPAL BANKERS

Asia Commercial Bank Limited

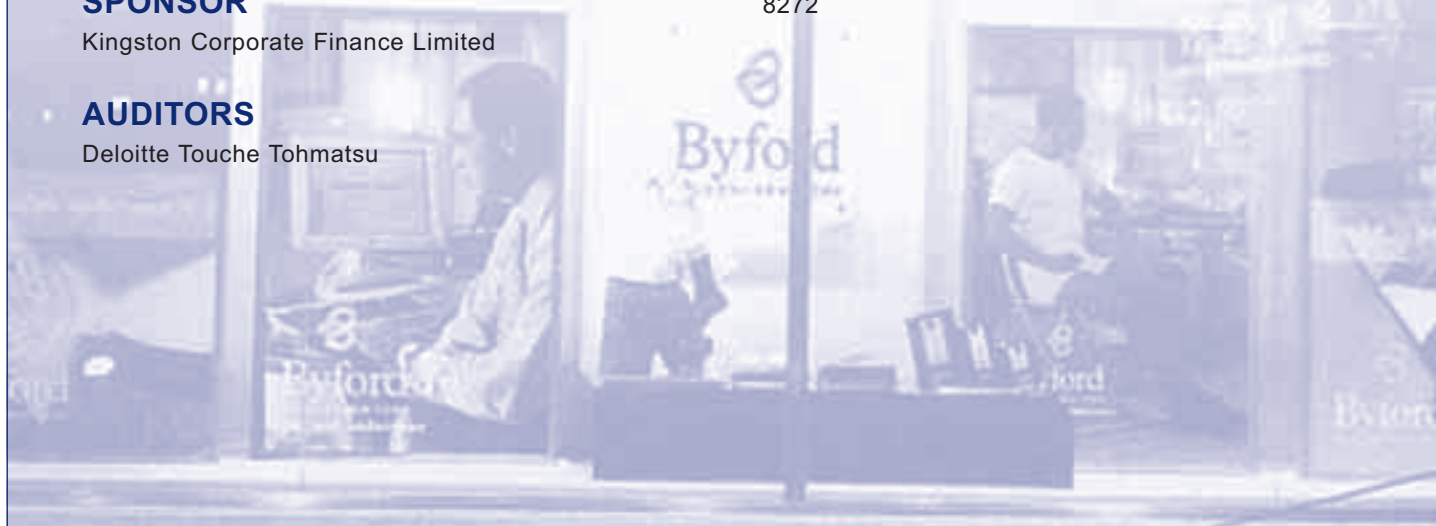
Southern Bank Berhad

WEBSITE ADDRESS

www.donaldbyford.com

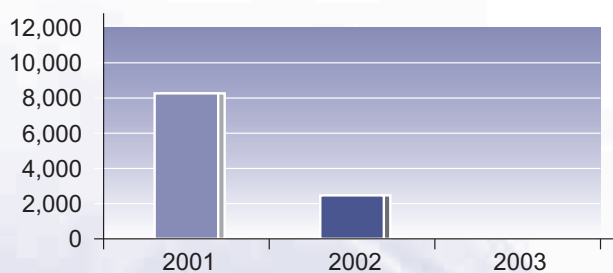
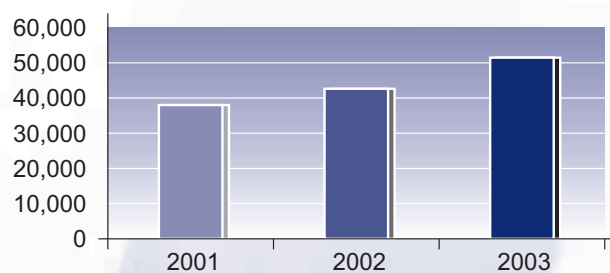
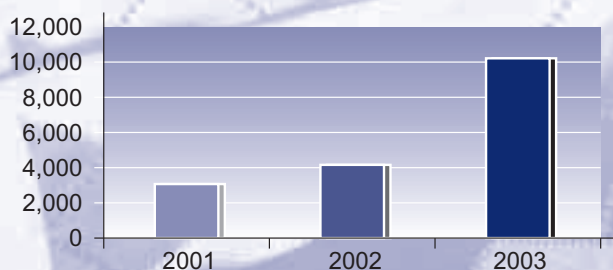
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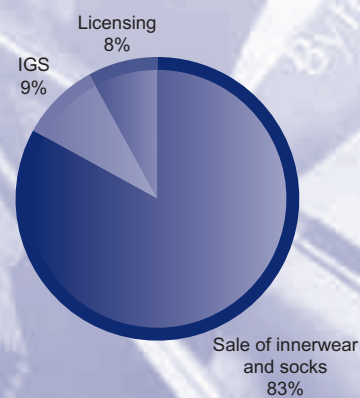


FINANCIAL HIGHLIGHTS

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Results			
Turnover – Continuing Operations	51,689	42,983	38,811
Turnover – Discontinuing Operations	–	2,689	8,246
EBITDA	10,658	4,061	2,940
Profit (loss) for the year	8,072	393	(789)
Assets and Liabilities			
Total assets	49,946	37,604	40,898
Total liabilities	18,937	35,095	44,895
Shareholder's funds (deficit)	31,009	2,509	(3,997)

Turnover – Discontinuing Operations
(HK\$'000)Turnover – Continuing Operations
(HK\$'000)EBITDA
(HK\$'000)

Turnover by Business Segment (2003)



CHAIRMAN'S STATEMENT

Dear Shareholders,

As my inaugural statement to you, I am proud to announce that we have made significant progress on all fronts over the last 12 months.

BUSINESS REVIEW

The year 2003 saw further improvement and integration of our Brand Management, Licensing and Integrated Global Sourcing (IGS) businesses. On Brand Management, we have continued to invest in promoting the BYFORD brandname by sponsoring high-profile promotional and social events across Asia. On Brand Licensing and IGS, we held the BYFORD Workshop 2003 in Kuala Lumpur last October. The Workshop successfully provided a forum to us and our international licensing partners to commonly understand our business targets for the coming year and enhanced our working relationship and cooperation. The Workshop further provided a showcase for our IGS product ranges to all our BYFORD Licensee.

Our distribution business in Singapore and Malaysia has grown substantially in 2003. Due to our decisive discontinuance of our children-wear business, we were able to concentrate our resources in our core business.

FINANCIAL REVIEW

Despite the challenges faced during the global health crisis last April, sales in the year grew by 13.2% to HK\$51.7 million. Gross Profit grew by 49% to HK\$26.2 million. The Group achieved a net profit of HK\$8.1 million and EBITDA of HK\$10.6 million.

With the encouraging results, the Board is recommending a dividend for the financial year ended 31 December 2003 of HK\$0.01 per share, which is subject to shareholders' approval at the forthcoming Annual General Meeting.

PROSPECTS

The Group's business will continue to strengthen based on the plans implemented over the last 12 months. With the expected consumer growth in Asia, group sales are anticipated to grow further in the coming year.

ACKNOWLEDGMENT

On behalf of the Board, I would like to place on record our sincere appreciation to the Management and our people at all levels for their commitment and dedication, and to our shareholders, business associates, suppliers and customers, we thank them for their continuing support and confidence, all of whom have contributed in making this a successful year for the Group.

Last but not least, to my fellow members of the Board, I wish to express my appreciation for their support and guidance throughout the year.

Yours truly,

Chai Sing Hong

Chairman and CEO



MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER

Byford International Limited has achieved good progress compared to prior period with overall turnover of the Group for the year ended 31st December 2003 ("the Reported Period") turnover increasing by 13.2% year on year to HK\$51,689,000.

Byford continues to increase market awareness of its products in Asia and Greater China, and to this effect, will continue to sponsor suitable promotional events.

Turnover from geographical segments excluding discontinued operations for Malaysia, Singapore and export to Dubai under Integrated Global Sourcing Platform ("IGS") achieved stable growth rates of 43.5%, 10.9% and 5.0% respectively over 2002.

OPERATING PROFIT

Operating profit for the Reported Period increased by 286.9% to HK\$8,911,000 compared to HK\$2,303,000 as a result of the following contributing factors:

- Gross margin increased to 50.7% from 41.6% excluding discontinuing operations as a result of savings from economies of scale, lower pricing from suppliers and contribution from IGS;
- Selling and distribution costs have been kept in line with turnover at 11.6% compared to 10.4% for 2002 excluding discontinued operations;
- Administrative expenses were slightly increased by HK\$776,000 at 22.9% (2002: 24.3%) of turnover as a result of increased compliance costs of listing.

FINANCE COSTS

Finance costs have continued to fall by 36.0% to HK\$990,000 as a result of the improved working capital base of the Company following its IPO.

NET PROFIT

Profit before taxation rose by 10.48 times to HK\$7,921,000 from HK\$756,000 and profit after tax margin on sales improved to 15.6% from 0.9% mainly as a result of improved gross margins, discontinuance of children's wear operations and cost efficiencies arising from increased economies of scale. The effective tax rate was 1.9% for the Reported Period due to the continuing effect of unutilised tax losses. Profit after tax increased to HK\$8,072,000 compared to HK\$393,000. The Group's EBITDA increased by 162.4% to HK\$10,658,000 from HK\$4,061,000.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the Reported Period, the Group's operating cash flows before working capital movements increased by HK\$6,589,000 to HK\$10,661,000 mainly as a result of the contribution from increased profit before taxation to HK\$7,921,000 from HK\$756,000. The Group applied HK\$5,162,000 for its operations mainly as a result of increased inventories of HK\$3,146,000, increased trade receivables of HK\$8,039,000 and payments made to trade and other suppliers of HK\$3,590,000 to meet the demand from the peak sales period in the last quarter ended 31 December 2003 comprising Christmas and Chinese New Year festivals. The Group ended the period with net cash of HK\$515,000 and has unutilised banking facilities of HK\$11,525,000. The Group's current ratio continues to improve to 1.97 from 0.63. Debtor days increased to 138 from 91 as a result of strong peak sales in the last quarter of 2003 of HK\$18,346,000 (2002: HK\$12,214,000) while creditor days were 91.

As at 29th February 2004, accounts receivable of 40.8% or HK\$7,942,000 outstanding at 31st December 2003 had been subsequently settled. Stock turnover over cost of sales reduced to 2.9 times from 4.9 times in December 2002 due to inventory build-up in anticipation of peak sales for the last quarter Q4 due to the year-end festive seasons comprising Christmas and Chinese New Year. The Group's gearing ratio continues to reduce following the IPO and fell to 17.5%.

At the Reported Period end, total bank borrowings of HK\$5,374,000 were outstanding and the Group has trademarks and assets pledged as security for its banking facilities and trust receipts from trade finance. There has been no major capital expenditure during the Reported Period.

BUSINESS REVIEW

Trading

During the Reported Period the Group has taken steps to improve product quality and adopt marketing strategies that focus on capturing additional market share and increased profitability.

Revenues from IGS increased by 5% to HK\$4,709,000 (2002: HK\$4,486,000).

As part of the drive to spur growth for IGS and enhance the cooperation between the Group and its global Licensees, the Group hosted its first Byford Workshop from 17th – 18th October 2003 in Kuala Lumpur, Malaysia. The Byford Workshop 2003 was a success and as a result, the Licensees were able view the new ranges that are available through IGS.



MANAGEMENT DISCUSSION AND ANALYSIS

Licensing

During the Reported Period, the Group has accelerated the implementation of the new corporate identity and further extended its direction and monitoring of all aspects of the brand's international visual presentation.

A primary goal for the Byford 2003 Workshop was to re-affirm our global brand strategy to all Licensees as well as providing a forum for us to understand better their needs. The Workshop also allowed all participants to experience the new style, scope and quality of our international Management team.

As a result of the re-shaping of the business, the Group has been able to identify a number of potential new markets in South-East Asia and in the Middle East. Licensees searches in these territories have taken place and negotiation are now well-advanced towards the appointment of new partners in the course of this year.

Business Objectives

Details of the Group's business objectives are set out in the section headed "Statement of Business Objectives" in the Prospectus. Save as disclosed above, the Company has no other investment plan as at 31 December 2003.

Outlook

Looking ahead to the year of 2004, the Group is concurrently developing various strategic business relationships globally. Firstly, the Group is in the advanced stage of appointing 1 potential licensee in Southeast Asia and 1 potential licensee in the Middle East as well as expanding the license territory of an existing Licensee. This will further expand the Group's footprint in these lucrative regions. Secondly, the Group has begun exploratory discussions with distributors and retailers to increase its brand recognition in North America. The management is optimistic that they will be able to see substantial progress in these negotiations by 2nd quarter 2004.

In respect of its sourcing operations, the Group will continue to leverage its IGS platform to maximize the benefits of its sourcing capabilities. With IGS in place, it is expected that the IGS platform will facilitate additional orders from the licensees and thus, corresponding sales through IGS will increase. In the future, the Group will continue to further enhance the features of the IGS platform and explore the possibility to introduce product extensions and new product ranges through the IGS platform.

For its brand building efforts, the Group will continue to carry out relevant marketing activities, such as event sponsorships, to further promote the *Byford* brand name.

With its well-developed sourcing and distribution network coupled with its brand management expertise, the Group is confident that it has the optimal business model to extend its Byford product range, gain further worldwide brand recognition and explore avenues to strategically assist in distributing additional consumer products in Asia.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

At 31 December 2003, the Group employed a total of 86 employees (2002: 81). 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.

Dividend

The Directors are recommending the payment of a dividend for the year ended 31st December 2003 of 1 cent per share totalling HK\$2,000,000. The Directors will continually review the working capital and investment needs of the Group to ensure that it is in a position to recommend a dividend when it is financially product to do so.



COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS GROWTH

Comparison between Business Objectives and actual business growth

Business Objectives stated in the Prospectus

Actual progress as at 31st December 2003

Brand Building

The Group sponsored the 5th anniversary celebrations of the Kellogg-Hong Kong University EMBA program to promote the Byford brand name in Hong Kong.

The Group at the invitation of the British Trade Commission participated in the Passion for Fashion event in Shanghai to further promote Byford brand in the PRC.

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 efforts to widen the Licensee participation in IGS and has begun discussions to introduce new products ranges for the IGS platform.

Customer relationship management

The Company is reviewing the implementation of its CRM program with its IGS system and are approaching suitable vendors to provide an integrated solution.

USE OF PROCEEDS FROM IPO

**Actual usage
from July 2003 to
December 2003**

HK\$'000

Brand building	894
Developing new licence territories	76
Developing new distribution markets	108
Integrated global sourcing	153
Repayment of bank loans	586
	1,817

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Chai Sing Hong, aged 37, 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 54, is an executive Director of the Group, Chief Executive of DBS(E) 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 DBS(E) 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 brand name to Asia in the 1980s.

NON-EXECUTIVE DIRECTOR

Mr. Choong Khuat Leok, aged 42, 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.



DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Chi Kiong, aged 56, was appointed by the Company as a Director on 7 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 38, was appointed by the Company as a Director on 7 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' REPORT

The directors present their first annual report and the audited financial statements of the Company from 22nd January, 2003 (the date of incorporation) to 31st December, 2003 and of the Group for the year ended 31st December, 2003.

GROUP REORGANISATION AND LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 20.

A dividend of 1 cent per share (2002: Nil) or HK\$2,000,000 (2002: Nil) has been proposed by the directors.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year are set out in note 14 to the financial statements.



DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in share capital of the Company during the period are set out in note 24 to the financial statements.

DIRECTORS

The directors of the Company during the period and up to the date of this report are:

Executive directors:

Mr. Chai Sing Hong	(appointed on 10th February, 2003)
Ms. Chai Sing Fai	(appointed on 7th May, 2003)
Mr. Peter C. Duncan	(appointed on 7th May, 2003)

Non-executive director:

Mr. Choong Khuat Leok	(appointed on 7th May, 2003 effective 1st March, 2003)
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Independent non-executive directors:

Mr. Chow Chi Kiong	(appointed on 7th May, 2003)
Mr. Yue Kwai Wa, Ken	(appointed on 7th May, 2003)

In accordance with Article 14(4) of the Company's Memorandum of Association, all directors retire from office at the next annual general meeting and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing on 23rd June, 2003 which shall continue thereafter until terminated by either party giving to the other party not less than six months prior written notice for Mr. Chai Sing Hong and Ms. Chai Sing Fai and not less than twelve months notice for Mr. Peter C. Duncan.

Each of the non-executive director and the independent non-executive directors has received a letter of appointment from the Company for an initial term of two years, commencing on 7th May, 2003 which shall continue thereafter.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2003, the interests of the directors and the chief executives and their associates 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 maintained by the Company pursuant to 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	Capacity	Number of issued shares held	Percentage of issued share capital
Mr. Chai Sing Hong	Beneficial owner	123,461,617	61.73%
	Held by controlled corporation (<i>Note</i>)	620,426	0.31%
		124,082,043	62.04%
Ms. Chai Sing Fai	Beneficial owner	13,717,957	6.86%

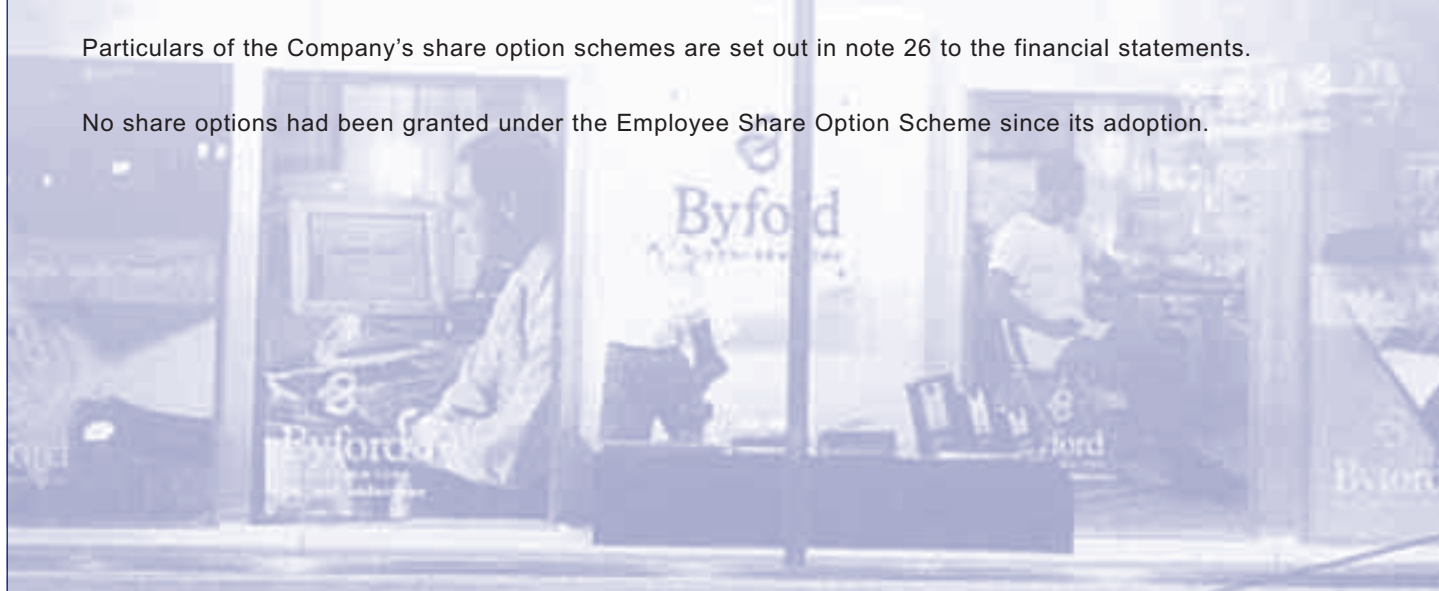
Note: Donald Byford & Sons Pte. Limited, a company incorporated in Singapore, holds 620,426 shares of the Company, representing 0.31% of the entire issued share capital of the Company. It is legally and beneficially owned as to 90% by Mr. Chai Sing Hong and 10% by Ms. Chai Sing Fai and, accordingly,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

Particulars of the Company's share option schemes are set out in note 26 to the financial statements.

No share options had been granted under the Employee Share Option Scheme since its adoption.



DIRECTORS' REPORT**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES** *(Continued)***Long positions in share options of the Company** *(Continued)*

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

Name of grantee	Capacity	Date of grant	Number of underlying shares of the Company	Number of options
				granted during the year and outstanding at 31.12.2003
Mr. Chai Sing Hong	Beneficial owner	10th June, 2003	14,000,000	14,000,000
Ms. Chai Sing Fai	Beneficial owner	10th June, 2003	2,000,000	2,000,000
Mr. Peter C. Duncan	Beneficial owner	10th June, 2003	1,000,000	1,000,000
Mr. Choong Khuat Leok	Beneficial owner	10th June, 2003	1,666,666	1,666,666

Save as disclosed above, at 31st December, 2003, none of the directors and chief executives nor their associates of the Company had any interests or 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 maintained by the Company pursuant to 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

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.

So far as the directors or chief executives of the Company are aware, as at 31st December, 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:

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in shares of the Company

Name	Capacity	Number of issued shares held	Percentage of issued share capital
YST International Investment Fund	Beneficial owner	12,000,000	6.00%
JAIC International (Hong Kong) Limited	(Note 1)	12,000,000	6.00%
Japan Asia Investment Co. Ltd.	(Note 2)	12,000,000	6.00%
Takefuji Corporation	(Note 3)	12,000,000	6.00%
Ms. Chan Wai Yee	(Note 4)	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 share options of the Company

Save as disclosed above, at 31st December, 2003, no person (not being a director or chief executive of the Company) had any interests or short positions in any shares, underlying shares and debentures of the Company which are required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

SPONSOR'S INTERESTS

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 expiring 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 31st December, 2003, none of Kingston, its directors, employees and 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 45.3% of the turnover of the Group and the largest customer accounted for approximately 10% of the total turnover of the Group.

The five largest suppliers in aggregate accounted for approximately 50.2% of the total purchases of the Group and the largest supplier accounted for approximately 31.8% of the total purchase of the Group.

Save as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the shares of the Company by the Company or any of its subsidiaries during the year.

COMPETING INTERESTS

Each of the directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

CORPORATE GOVERNANCE

The Company has complied in the period between its listing date and 31st December, 2003 with Rules 5.28 to 5.39 of the GEM Listing Rules.

DIRECTORS' REPORT

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 comprises two independent non-executive directors of the Company, namely Mr. Chow Chi Kiong 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 consolidated financial statements. During the year, three meetings of the audit committee have been convened.

AUDITORS

Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company at the time of its incorporation on 22nd January, 2003. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Choong Khuat Leok

Secretary

Hong Kong, 10th March, 2004



AUDITORS' REPORT

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF BYFORD INTERNATIONAL LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 20 to 51 which have been prepared in accordance with International Financial Reporting Standards.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The 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, 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Group as at 31st 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 10th March, 2004

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31st December, 2003

		2003		2002	
	Notes	Continuing operations HK\$'000	Continuing operations HK\$'000	Discontinuing operations HK\$'000	Total HK\$'000
Turnover	3	51,689	42,983	2,689	45,672
Cost of sales		(25,487)	(25,097)	(2,990)	(28,087)
Gross profit		26,202	17,886	(301)	17,585
Other operating income	6	556	595	22	617
Selling and distribution costs		(5,987)	(4,479)	(336)	(4,815)
Administrative expenses		(11,860)	(10,254)	(830)	(11,084)
Profit (loss) from operations	7	8,911	3,748	(1,445)	2,303
Finance costs	8	(990)	(1,493)	(54)	(1,547)
Profit (loss) before taxation		7,921	2,255	(1,499)	756
Taxation	10	151	(363)	–	(363)
Profit (loss) for the year		8,072	1,892	(1,499)	393
Dividends	11	2,000			–
Earnings per share	12				
– Basic		HK4.44 cents			HK0.25 cents
– Diluted		HK4.43 cents			N/A

CONSOLIDATED BALANCE SHEET

At 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Trademarks	13	15,628	16,547
Plant and equipment	14	2,686	2,705
Deferred tax asset	15	430	–
		18,744	19,252
Current assets			
Inventories	16	8,836	5,690
Trade receivables	17	19,483	11,444
Other receivables, deposits and prepayments		904	1,107
Amounts due from related companies	18	–	34
Bank balances and cash		1,979	77
		31,202	18,352
Current liabilities			
Trade payables	19	6,338	7,242
Other payables and accruals		5,568	9,158
Amount due to a director	20	–	317
Amount due to a related company	21	–	392
Taxation payable		440	508
Obligations under finance leases			
– due within one year	22	530	394
Bank borrowings – due within one year	23	2,942	11,295
		15,818	29,306
Net current assets (liabilities)		15,384	(10,954)
Total assets less current liabilities		34,128	8,298
Non-current liabilities			
Obligations under finance leases			
– due after one year	22	687	863
Bank borrowings – due after one year	23	2,432	4,926
		3,119	5,789
Net assets		31,009	2,509

CONSOLIDATED BALANCE SHEET

At 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Capital and reserves			
Share capital	24	2,000	7,205
Reserves (deficit)		29,009	(4,696)
Shareholders' funds		31,009	2,509

The financial statements on pages 20 to 51 were approved and authorised for issue by the Board of Directors on 10th March, 2004 and are signed on its behalf by:

Chai Sing Hong
Director

Chai Sing Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31st December, 2003

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Dividend reserve HK\$'000	Accumulated (losses) profit HK\$'000	Total HK\$'000
THE GROUP							
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	—	—	178	—	—	295
Issue of shares	2,926	—	—	—	—	—	2,926
Waiver of debts by related companies	—	—	—	—	—	2,892	2,892
Profit for the year	—	—	—	—	—	393	393
At 31st December, 2002 and at 1st January, 2003	7,205	—	—	(126)	—	(4,570)	2,509
Share capital eliminated on Group Reorganisation	(7,205)	—	7,205	—	—	—	—
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 year	—	—	—	—	—	8,072	8,072
Proposed dividend	—	—	—	—	2,000	(2,000)	—
At 31st December, 2003	2,000	18,428	7,205	(126)	2,000	1,502	31,009

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	7,921	756
Adjustments for:		
Interest expenses	990	1,547
Amortisation on trademarks	919	919
Depreciation	828	839
Loss on disposal of plant and equipment	3	11
Operating cash flows before movements in working capital	10,661	4,072
(Increase) decrease in inventories	(3,146)	3,098
Increase in trade receivables	(8,039)	(2,248)
Decrease (increase) in other receivables, deposits and prepayments	203	(123)
Decrease in trade payables	(904)	(1,620)
(Decrease) increase in other payables and accruals	(3,590)	530
Cash (used in) generated from operations	(4,815)	3,709
Overseas taxation paid	(347)	(402)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(5,162)	3,307
INVESTING ACTIVITIES		
Purchase of plant and equipment	(105)	(189)
Receipt from related companies	34	–
Proceeds from disposal of plant and equipment	–	20
NET CASH USED IN INVESTING ACTIVITIES	(71)	(169)
FINANCING ACTIVITIES		
Proceeds from issue of shares	30,000	–
Share issue expenses	(9,572)	–
Net decrease in trust receipt loans	(3,740)	(343)
Repayment of bank loans	(2,495)	(1,555)
Interest paid	(990)	(1,547)
Repayment of obligations under finance leases	(747)	(314)
Repayment to a related company	(392)	(80)
Repayment to a director	(317)	(12)

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	11,747	(3,851)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,514	(713)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(5,999)	(5,640)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	354
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	515	(5,999)
REPRESENTED BY:		
Bank balances and cash	1,979	77
Bank overdrafts	(1,464)	(6,076)
	515	(5,999)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "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.

Details of the Group Reorganisation were set out in the prospectus of the Company dated 27th June, 2003.

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

The Group resulting from the Group Reorganisation is regarded as a continuing entity, accordingly, these financial statements have been prepared under the principal of merger accounting as if the Company had always been the holding company of the Group.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the principal accounting policies set out below which conform with International Financial Reporting Standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the enterprise controlled by the Company made up to 31st December each year. Control is achieved where the Company has to power to govern the financial and reporting policies of an investee enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the effects of the Group Reorganisation which has been accounted for under the principal of merger accounting.

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 inter-company transactions and balances within the Group are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Turnover

Turnover represents the net amounts received and receivable for goods sold, less returns and allowances, and royalties income received and receivable, net of withholding tax, during the year.

Revenue recognition

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

Royalties income are recognised upon sales of goods by the licensees.

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

Trademarks

Acquired trademarks are stated at cost and amortised on a straight-line basis over their estimated useful lives of 20 years.

Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20%

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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. An impairment loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

Impairment (*Continued*)

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.

Leases

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. An asset held under a finance lease is capitalised at its fair value at the date of acquisition. The principal portion of the corresponding lease commitments are shown as obligations under finance leases of the Group. 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 balances of the obligations for each 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 lease terms.

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 or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 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 tax 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

2. PRINCIPAL ACCOUNTING POLICIES (*Continued*)

Taxation (*Continued*)

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 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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions in foreign currencies are initially recorded 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. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit schemes

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the year to the Group's defined contributions scheme in the respective jurisdiction in which the Group operates.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

3. TURNOVER

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	2002 Discontinuing operations HK\$'000	Total HK\$'000
Sale of				
– men's innerwear, socks and apparels	47,717	39,071	–	39,071
– children's wear	–	–	2,689	2,689
Royalties income	3,972	3,912	–	3,912
	51,689	42,983	2,689	45,672

4. DISCONTINUING OPERATIONS

The discontinuing operations for the year ended 31st December, 2002 represented the sale and distribution of children's wear. Efforts to discontinue the Group's business of sales of children's wear commenced in June 2001 and the directors have confirmed the discontinuance has been effectively completed in December 2002.

The carrying amounts of assets and liabilities of the children's wear operations are as follows:

	2003 HK\$'000	2002 HK\$'000
Current assets		
Trade receivables	–	580
Current liabilities		
Trade payables	–	280
	–	300

For the year ended 31st December, 2002, net cash used in operating activities in the children's wear division amounted to HK\$626,000 (2003: Nil). Cash used in investing activities and financing activities was insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

5. SEGMENT INFORMATION

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

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

For the year ended 31st December, 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 apparels	25,100	16,753	4,709	1,155	47,717
Royalties income	—	—	—	3,972	3,972
	25,100	16,753	4,709	5,127	51,689
Segment result					
Continuing operations					
Sale of men's innerwear, socks and apparels	5,654	2,367	666	163	8,850
Royalties income	—	—	—	61	61
	5,654	2,367	666	224	8,911
Finance costs					(990)
Profit before taxation					7,921

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31st December, 2002

	Malaysia <i>HK\$'000</i>	Singapore <i>HK\$'000</i>	Dubai <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment turnover					
Continuing operations					
Sale of men's innerwear, socks and apparels	17,494	15,111	4,486	1,980	39,071
Royalties income	–	–	–	3,912	3,912
	17,494	15,111	4,486	5,892	42,983
Discontinuing operations					
Sale of children's wear	880	1,809	–	–	2,689
	18,374	16,920	4,486	5,892	45,672
Segment result					
Continuing operations					
Sale of men's innerwear, socks and apparels	157	1,218	361	173	1,909
Royalties income	–	–	–	1,839	1,839
	157	1,218	361	2,012	3,748
Discontinuing operations					
Sale of children's wear	(1,452)	7	–	–	(1,445)
	(1,295)	1,225	361	2,012	2,303
Finance costs					(1,547)
Profit before taxation					756

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

5. SEGMENT INFORMATION *(Continued)*

An analysis of the Group's carrying amount of segment assets and segment liabilities by geographical area in which the assets and liabilities are located is as follows:

At 31st December, 2003

	Malaysia HK\$'000	Singapore HK\$'000	Other HK\$'000	Total HK\$'000
ASSETS				
Segment assets	20,813	10,651	24	31,488
Unallocated corporate assets				18,458
Total assets				49,946
LIABILITIES				
Segment liabilities	6,872	3,918	12	10,802
Unallocated corporate liabilities				8,135
Total liabilities				18,937
OTHER INFORMATION				
Amortisation on trademarks	—	—	919	919
Capital additions of plant and equipment	714	4	94	812
Depreciation	297	526	5	828
Loss on disposal of plant and equipment	—	3	—	3

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

5. SEGMENT INFORMATION (Continued)

At 31st December, 2002

	Malaysia HK\$'000	Singapore HK\$'000	Other HK\$'000	Total HK\$'000
ASSETS				
Segment assets	11,079	8,425	13	19,517
Unallocated corporate assets				18,087
Total assets				37,604
LIABILITIES				
Segment liabilities	14,381	8,348	13	22,742
Unallocated corporate liabilities				12,353
Total liabilities				35,095
OTHER INFORMATION				
Amortisation on trademarks	—	—	919	919
Capital additions of plant and equipment	165	144	—	309
Depreciation	316	523	—	839
(Gain) loss on disposal of plant and equipment	(20)	31	—	11

6. OTHER OPERATING INCOME

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	Discontinuing operations HK\$'000	Total HK\$'000
Write-back of allowance for doubtful debts	394	—	—	—
Exchange gain	—	249	22	271
Management fee income	—	223	—	223
Others	162	123	—	123
	556	595	22	617

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

7. PROFIT (LOSS) FROM OPERATIONS

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	2002 Discontinuing operations HK\$'000	Total HK\$'000
Profit (loss) from operations has been arrived at after charging:				
Directors' remuneration (<i>note 9</i>)	1,412	559	10	569
Other staff costs	6,112	5,196	424	5,620
Retirement benefit scheme contributions of other staff	645	783	64	847
Total staff costs	8,169	6,538	498	7,036
Amortisation on trademarks included in administrative expenses	919	919	—	919
Auditors' remuneration	286	109	—	109
Depreciation				
– Owned assets	343	350	23	373
– Assets held under finance leases	485	438	28	466
Loss on disposal of plant and equipment	3	11	—	11
Operating lease payments in respect of land and buildings	1,449	1,224	85	1,309
Royalties expenses	571	580	497	1,077

8. FINANCE COSTS

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	2002 Discontinuing operations HK\$'000	Total HK\$'000
Interest on borrowings wholly repayable within five years	920	1,470	52	1,522
Finance leases	70	23	2	25
	990	1,493	54	1,547

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors are as follows:

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	2002 Discontinuing operations HK\$'000	Total HK\$'000
Fees	280	—	—	—
Salaries and allowances	1,108	543	8	551
Retirement benefit scheme contributions	24	16	2	18
	1,412	559	10	569

During the year ended 31st December, 2003, three executive directors received individual emoluments of approximately HK\$499,000 (2002: HK\$514,000), HK\$230,000 (2002: HK\$55,000) and HK\$284,000 (2002: Nil), respectively; the two independent non-executive directors each received directors' fees of HK\$40,000 (2002: Nil); and the non-executive director received emolument of HK\$320,000 (2002: Nil).

Employees' emoluments:

The five highest paid individuals included 4 directors (2002: 2 directors) for the year ended 31st December, 2003 whose emoluments have been disclosed above. The emoluments of the remaining individual (2002: 3 employees), which are within the emoluments band ranging from Nil to HK\$1,000,000, are as follows:

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	2002 Discontinuing operations HK\$'000	Total HK\$'000
Salaries and allowances	160	302	14	316

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

10. TAXATION

	2003 Continuing operations HK\$'000	2002 Continuing operations HK\$'000	Discontinuing operations HK\$'000	Total HK\$'000
Current tax				
Malaysia	—	49	—	49
Singapore	301	314	—	314
Overprovision in prior years	301	363	—	363
Malaysia	(22)	—	—	—
Deferred tax				
Current year	(430)	—	—	—
	(151)	363	—	363

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 the respective jurisdiction during both years.

In the opinion of the directors, the Group is not subject to taxation in any other jurisdictions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

10. TAXATION (Continued)

The charge for the year can be reconciled to the profit in the income statement as follows:

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit before taxation	7,921		756	
Taxation at Malaysia income tax rate of 28% (2002: 28%) (Note)	2,218	28.0	212	28.0
Tax effect of income that are not taxable in determining taxable profit	(1,066)	(13.5)	(349)	(46.2)
Tax effect of expenses that are not deductible in determining taxable profit	695	8.8	912	120.7
Tax effect of utilisation of tax losses not previously recognised	(1,195)	(15.1)	(267)	(35.3)
Tax effect of recognition of deferred taxation in respect of tax losses in prior years	(430)	(5.4)	—	—
Effect of different tax rates of subsidiaries operating in jurisdictions other than Malaysia	(351)	(4.4)	(145)	(19.2)
Overprovision of income tax expenses in prior years	(22)	(0.3)	—	—
Taxation (credit) charge and effective tax rate for the year	(151)	(1.9)	363	48.0

Note: The tax rate in Malaysia is used where the operation of the Group is substantially based.

11. DIVIDENDS

A dividend of 1 cent per share (2002: Nil) or HK\$2,000,000 (2002: Nil) has been proposed by the directors.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

12. EARNINGS PER SHARE

	2003 HK\$'000	2002 HK\$'000
Earnings for the purpose of calculating earnings per share	8,072	393
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share (note i)	181,677,778	157,800,000
Weighted average number of shares for the purpose of diluted earnings per share (note ii)	182,099,525	N/A

Notes:

- (i) The calculation of the basic earnings per share is based on the profit for the year ended 31st December, 2003 and the weighted average number of shares of the Company that would have been in issue throughout the year on the assumption that the Group Reorganisation had been completed at the beginning of 1st January, 2002.
- (ii) The calculation of the diluted earnings per share for the year ended 31st December, 2003 is based on the Group's profit for the year and on the weighted average number of 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 year ended 31st December, 2002 is presented as there is no dilutive potential share in issue.

13. TRADEMARKS

	HK\$'000
COST	
At 1st January, 2003 and at 31st December, 2003	18,387
AMORTISATION	
At 1st January, 2003	1,840
Provided for the year	919
At 31st December, 2003	2,759
NET BOOK VALUES	
At 31st December, 2003	15,628
At 31st December, 2002	16,547

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

14. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1st January, 2003	3,744	2,381	6,125
Additions	105	707	812
Disposals and write-off	(47)	—	(47)
At 31st December, 2003	3,802	3,088	6,890
DEPRECIATION AND AMORTISATION			
At 1st January, 2003	2,639	781	3,420
Provided for the year	343	485	828
Eliminated on disposals and write-off	(44)	—	(44)
At 31st December, 2003	2,938	1,266	4,204
NET BOOK VALUES			
At 31st December, 2003	864	1,822	2,686
At 31st December, 2002	1,105	1,600	2,705

The net book values of plant and equipment include an amount of HK\$1,822,000 (2002: HK\$1,600,000) in respect of assets held under finance leases.

15. DEFERRED TAX ASSET

At the balance sheet date, the Group has unutilised tax losses of HK\$24,757,000 (2002: HK\$24,095,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,535,000 (2002: Nil) of such losses at an overseas tax rate of 28%. No deferred tax asset has been recognised in respect of the remaining HK\$23,222,000 (2002: HK\$24,095,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

16. INVENTORIES

	2003 HK\$'000	2002 HK\$'000
At net realisable value		
Finished goods	8,836	5,690

17. TRADE RECEIVABLES

The Group allows an average credit period of 60 to 90 days to its trade customers. The aged analysis of trade receivables at the respective balance sheet dates is as follows:

	2003 HK\$'000	2002 HK\$'000
Within 30 days	10,904	5,128
31 – 60 days	4,409	3,120
61 – 90 days	2,741	2,680
91 – 120 days	947	516
Over 121 days	482	–
	19,483	11,444

18. AMOUNTS DUE FROM RELATED COMPANIES

	2003 HK\$'000	2002 HK\$'000
KT Asset Management Sdn. Bhd.	–	24
CV Garments (Asia Pacific) Sdn. Bhd.	–	10
	–	34

The amounts were unsecured and non-interest bearing. They were fully settled during the year.

Mr. Chai Sing Hong and Ms. Chai Sing Fai, directors and shareholders of the Company, are also directors of and have beneficial interests in the above companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

19. TRADE PAYABLES

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

	2003 HK\$'000	2002 HK\$'000
Within 30 days	2,161	2,888
31 – 60 days	1,860	1,008
61 – 90 days	1,394	1,676
91 – 120 days	778	253
Over 121 days	145	1,417
	6,338	7,242

20. AMOUNT DUE TO A DIRECTOR

	2003 HK\$'000	2002 HK\$'000
Ms. Chai Sing Fai	–	317

The amount was unsecured and non-interest bearing. It was fully repaid during the year.

21. AMOUNT DUE TO A RELATED COMPANY

	2003 HK\$'000	2002 HK\$'000
KT Concepts Sdn. Bhd.	–	392

The amount was unsecured and non-interest bearing. It was fully repaid during the year.

Mr. Chai Sing Hong and Ms. Chai Sing Fai are directors of and have beneficial interests in the above companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	613	464	530	394
In the second to fifth year inclusive	783	1,006	687	863
	1,396	1,470	1,217	1,257
Less: Future finance charges	(179)	(213)	—	—
Present value of lease obligations	1,217	1,257	1,217	1,257
Less: Amounts due within one year shown under current liabilities			(530)	(394)
Amounts due after one year			687	863

It is the Group's policy to lease certain of its plant and equipment under finance leases. The lease terms range from 3 to 5 years. Interest rates are fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The fair value of the Group's lease obligations approximates their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

23. BANK BORROWINGS

	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	1,464	6,076
Trust receipt loans	—	3,740
Bank loans	3,910	6,405
	5,374	16,221
The maturity of the bank borrowings are as follows:		
On demand or within one year	2,942	11,295
In one to two years	1,478	1,478
In two to five years	954	3,448
	5,374	16,221
Less: Amounts due within one year shown under current liabilities	(2,942)	(11,295)
Amounts due after one year	2,432	4,926

The bank borrowings bear interest at prevailing market rate of 8.3% to 8.9% (2002: 7.5% to 9%) per annum and approximate to their fair values.

The bank borrowings were guaranteed by:

- A fixed and floating charge on the assets of Byford Marketing (M) Sdn. Bhd. and Byford Marketing (S) Pte. Ltd.
- Joint and several guarantees by the two directors and two persons connected to the directors.
- A corporate guarantee issued by the Company up to a maximum of approximately HK\$4,034,000 (2002: by a related company of approximately HK\$8,209,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

24. 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 iii</i>)	962,000,000	9,620
At 31st December, 2003	1,000,000,000	10,000
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 ii</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 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
At 31st December, 2003	200,000,000	2,000

Details of the changes in the Company's share capital for the period from 22nd January, 2003 (date of incorporation) to 31st December, 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.
- (ii) 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.
- (iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

24. SHARE CAPITAL (*Continued*)

- (iv) On 10th June, 2003, the Company issued 14,100 ordinary shares of HK\$0.01 each for the acquisition of 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. 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 31st December, 2002 shown on the consolidated balance sheet represented 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.

25. RESERVES

The Company's reserves available for distribution to its shareholders comprise share premium after deducting accumulated losses, which in aggregate amount to HK\$16,547,000. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company and, under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company must be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution or dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

26. SHARE OPTION SCHEMES

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 of the Stock Exchange on 27th June, 2003. No options had been granted under the Employee Share Option Scheme since its adoption.

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 the Company's share option granted under the Pre-IPO Share Option Scheme held by employee (including directors) of the Company are as follows:

	Exercise price	Date of grant	Number of options granted during the year and outstanding at 31.12.2003
Directors	HK\$0.30	10th June, 2003	18,666,666
Employees	HK\$0.30	10th June, 2003	1,333,334
			20,000,000

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 options 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%

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

27. SUBSIDIARIES

Particulars of the Company's wholly-owned subsidiaries as at 31st December, 2003 are as follows:

Name	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital (Note)	Principal activities
D Byford Holdings Limited ("D Byford")	The British Virgin Islands	Ordinary shares US\$100	Investment holding
D Byford Limited	The British Virgin Islands	Ordinary shares US\$1	Investment holding
Byford IGS Limited	The British Virgin Islands	Ordinary shares US\$1	Global sourcing and trading
Byford Marketing (M) Sdn. Bhd.	Malaysia	Ordinary shares RM3,500,000	Sale and distribution of men's innerwear, socks and apparels in Malaysia
Byford Marketing (S) Pte. Ltd.	The Republic of Singapore	Ordinary shares S\$500,000	Sale and distribution of men's innerwear, socks and apparels in Singapore
Donald Byford & Sons Sdn. Bhd.	Malaysia	Ordinary shares RM2,440,000	Holding of trademarks
Donald Byford & Sons Limited	England and Wales	Ordinary shares UK£2	Trademark agent

Note: The Company directly holds the interest in D Byford. All other interests are indirectly held by the Company.

28. NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK\$707,000 (2002: HK\$120,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

29. OPERATING LEASE COMMITMENTS

At the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2003 HK\$'000	2002 HK\$'000
Within one year	1,387	674
In the second to fifth year inclusive	27	696
	1,414	1,370

Operating lease payments represent rentals payable by the Group for certain of its office premises and warehouse facilities. Leases are negotiated for a term of up to 2 years and rentals are fixed throughout the lease period.

30. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

Name of related party	Nature of transaction	2003			2002		
		Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
KT Concepts Sdn. Bhd.	Management fee income (i)	-	-	-	223	-	223
	Waiver of debts (ii)	-	-	-	1,988	-	1,988
Donald Byford & Sons Limited	Waiver of debts (ii)	-	-	-	904	-	904

Notes:

- (i) The transactions were carried out in accordance with the relevant agreements.
- (ii) The transactions were carried out at terms determined and agreed by both parties.

Mr. Chai Sing Hong and Ms. Chai Sing Fai are directors of and have beneficial interests in the above companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

31. RETIREMENT BENEFIT SCHEMES

The Group has participated in various retirement and pension schemes covering their employees in Malaysia and Singapore under local practice and regulations which are essentially defined contribution schemes. Employees' and employer's contributions are based on various percentages of employees' gross salaries and/or age of employees.

As at 31st December, 2003, contribution of HK\$69,654 (2002: HK\$62,553) due in respect of the reporting period had not been paid over to the schemes.

32. FINANCIAL ASSETS/LIABILITIES

The carrying amounts of bank balances and cash, trade receivables, other receivables, deposits and prepayments, amounts due from related companies, trade payables, other payables and accruals, amount due to a director, amount due to a related company and taxation payable approximate their fair values because of the nature and the short-term maturity of these instruments.

The directors of the Company represented that the Group's concentration of credit risk and exposure to the effects of future changes in the prevailing level of interest rates are not significant.

Financial assets/liabilities denominated in foreign currencies, where applicable, have been translated at the market exchange rates prevailing at the balance sheet date. The Group has not entered into any foreign exchange forward contracts to hedge against foreign exchange fluctuations of the financial assets/liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2003

33. BALANCE SHEET OF THE COMPANY

The Company sheet of the Company is set out in accordance with Section 123 and Section 125 to Hong Kong Companies Ordinance:

At 31st December, 2003

	<i>Note</i>	<i>HK\$'000</i>
Non-current assets		
Plant and equipment		88
Interests in subsidiaries		18,325
		18,413
Current assets		
Other receivables		173
Bank balances and cash		255
		428
Current liabilities		
Other payable and accruals		267
Amount due to a subsidiary		27
		294
Net current assets		134
		18,547
Capital and reserves		
Share capital	24	2,000
Reserves		16,547
		18,547

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Byford International Limited (the "Company") will be held at 10:00 a.m. on Tuesday, 20 April 2004 at Kowloon Room II, Mezzanine Floor, Kowloon Shangri-La, 64 Mody Road, Kowloon, Hong Kong to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and the reports of the directors of the Company (the "Directors") and auditors for the year ended 31 December 2003;
2. to re-elect Mr. Chai Sing Hong, Ms. Chai Sing Fai, Mr. Peter C. Duncan, Mr. Choong Khuat Leok, Mr. Chow Chi Kiong, Mr. Yue Kwai Wa, Ken as Directors and to authorise the board of Directors to fix the Directors' remuneration;
3. to re-appoint auditors and to authorise the board of Directors to fix their remuneration;
4. to declare a final dividend of HK 1 cent per share for the year ended 31st December 2003;

and, as special business, to consider and, if thought fit, passing the following resolutions 5 to 8 as ordinary resolutions and resolution 8 as a special resolution (the "Resolution(s)"):

5. **"THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") (the "**GEM Listing Rules**") operated by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the Directors during the Relevant Period (as herein defined) of all the powers of the Company to allot, issue and deal with unissued shares (each a "**Share**") of HK\$0.01 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as herein defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and

NOTICE OF ANNUAL GENERAL MEETING

(bb) (if the Directors are so authorised by a separate ordinary Resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of that Resolution),

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law (Law 3 of 1961, as consolidated and revised) of Cayman Islands (the **“Companies Law”**), or any other applicable law of Cayman Islands to be held; and
- (iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

6. **“THAT:**

- (a) the exercise by the Directors during the Relevant Period (as herein defined) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the GEM Listing Rules and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and (c) for the purposes of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, or any other applicable law of Cayman Islands to be held; and (iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution."

7. "THAT the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 5 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution."

8. "THAT the Articles of Association of the Company be amended as follows:

- (a) By deleting the words "Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong" in the definition of "clearing house" in Article 2(1) and substituting therefore the following:

"Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)";

- (b) By deleting the existing definition of "Subsidiary and Holding Company" in Article 2(1) and substituting therefor the following:

"Subsidiary and Holding Company" the meanings attributed to them under the rules, where applicable, of the Designated Stock Exchange.;

- (c) By adding the following as the new Article 66A immediately after Article 66:

"66A. Where any Member is, under the rules, where applicable, of the Designated Stock Exchange (as amended from time to time), required to abstain from voting on any particular Ordinary resolution or Special resolution, or restricted to voting only for or only against any particular Ordinary resolution or Special resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.;"

- (d) By deleting the words "more than fourteen (14) clear days before the date of the general meeting" in Article 88 and substituting therefor the following:

"earlier than the day after the despatch of the Notice of such general meeting";

NOTICE OF ANNUAL GENERAL MEETING

- (e) By adding the words “or any of his associate(s)” immediately after the words “in which he” in the first paragraph of Article 103(1);
- (f) By adding the following in Article 103(1)(i):
 - (i) the words “or his associate(s)” immediately after the words “such Director”; and
 - (ii) the words “or any of them” immediately after the words “money lent by him” and “undertaken by him”, respectively;
- (g) By adding the following in Article 103(1)(ii):
 - (i) the words “or his associate(s)” immediately after the words “the Director”; and
 - (ii) the words “or themselves” immediately after the words “has himself”;
- (h) By adding the following in Article 103(1)(iii):
 - (i) the words “or his associate(s)” immediately after the words “the Director”;
 - (ii) the words “or are” immediately after each of the word “is”, respectively; and
 - (iii) the punctuation “,” after the words “to be”;
- (i) By adding the following in Article 103(1)(iv):
 - (i) the words “or his associate(s)” immediately after the words “in which he”;
 - (ii) the words “or are” immediately after the word “is”; and
 - (iii) the words “or their” immediately after the words “of his”;
- (j) By adding the following in Article 103(1)(v):
 - (i) the words “or his associate(s)” immediately after the words “in which he”; and
 - (ii) the words “or are” immediately before the words “interested only” and “beneficially interested in”, respectively; and
 - (iii) the words “or that of any of his associates” after the words “which his interest”;
- (k) By deleting the words “(as defined by the rules, where applicable, of the Designated Stock Exchange)” in Article 103(1)(v);

NOTICE OF ANNUAL GENERAL MEETING

- (l) By adding the words "or his associate(s)" immediately after the words "to directors" and "any Director", respectively, in Article 103(1)(vi); and
- (m) By adding the following sub-paragraph in Article 103(1) immediately after Article 103(1)(vi):

“Associates”, for the purposes of this Article 103(1), shall have the meaning attributed to it under the rules, where applicable, of the Designated Stock Exchange.”

By order of the board of Directors

Byford International Limited

Chai Sing Hong

Chairman

Hong Kong, 29 March, 2004

Registered office:

Century Yard
Hutchin Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

*Head office and principal place
of business in Hong Kong:*

Room 303, 3rd Floor
Printing House
6 Duddell Street
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrar, Standard Registrars Limited at Ground Floor, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. In relation to proposed Resolutions nos. 5 and 7 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the GEM Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders of the Company. In relation to proposed Resolution no. 6 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules will be set out in a separate document to be despatched to the shareholders with the annual report for the year ended 31 December 2003.