



BYFORD INTERNATIONAL LIMITED

百富國際有限公司

(incorporated in the Cayman Islands with limited liability)

FOURTH QUARTERLY REPORT 2004

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

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

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The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 the GEM of the Exchange (“the GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and twelve months ended 31st December, 2004 together with comparative figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 31st December, 2004

	<i>Notes</i>	Three months ended 31st December,		Twelve months ended 31st December,	
		2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>	2003 (Audited) <i>HK\$'000</i>
Turnover		13,915	18,348	47,167	51,689
Cost of sales		<u>(7,947)</u>	<u>(9,025)</u>	<u>(25,743)</u>	<u>(25,487)</u>
Gross profit		5,968	9,323	21,424	26,202
Other revenue		267	81	546	556
Selling and distribution costs		(1,833)	(2,016)	(6,964)	(5,987)
Administrative expenses		<u>(3,229)</u>	<u>(3,116)</u>	<u>(15,331)</u>	<u>(11,860)</u>
Profit/(loss) from operations		1,173	4,272	(325)	8,911
Finance costs		<u>(173)</u>	<u>(125)</u>	<u>(794)</u>	<u>(990)</u>
Profit/(loss) before taxation	5	1,000	4,147	(1,119)	7,921
Taxation (charge)/credit	6	<u>(8)</u>	<u>340</u>	<u>52</u>	<u>151</u>
Profit/(loss) for the period		<u>992</u>	<u>4,487</u>	<u>(1,067)</u>	<u>8,072</u>
Dividends	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,000</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	8				
— Basic		<u>0.50</u>	<u>2.24</u>	<u>(0.53)</u>	<u>4.44</u>
— Diluted		<u>0.50</u>	<u>2.22</u>	<u>(0.53)</u>	<u>4.43</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st December, 2004

		31st December, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
	Notes		
Non-current assets			
Trademarks		14,841	15,628
Fixed assets		1,821	2,686
Deferred tax assets		441	430
		<u>17,103</u>	<u>18,744</u>
Current assets			
Inventories		9,961	8,836
Trade receivables	9	13,836	19,483
Other receivables, deposits and prepayments		1,327	904
Bank balances and cash		883	1,979
		<u>26,007</u>	<u>31,202</u>
Current liabilities			
Trade payables	10	3,416	6,338
Other payables and accruals		2,008	5,568
Taxation payable		158	440
Obligations under finance leases			
— due within one year		376	530
Bank borrowings — due within one year	11	6,704	2,942
		<u>12,662</u>	<u>15,818</u>
Net current assets		<u>13,345</u>	<u>15,384</u>
Total assets less current liabilities		<u>30,448</u>	<u>34,128</u>
Non-current liabilities			
Obligations under finance leases			
— due after one year		269	687
Bank borrowings — due after one year	11	963	2,432
		<u>1,232</u>	<u>3,119</u>
Net assets		<u>29,216</u>	<u>31,009</u>
Represented by:			
Share capital	12	2,000	2,000
Reserves		27,216	29,009
Shareholders' funds		<u>29,216</u>	<u>31,009</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the twelve months ended 31st December, 2004*

(Audited)	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated (losses)/ profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	7,205	—	—	(126)	(4,570)	2,509
Effect of a group reorganisation (Note (i))	(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 for cash	422	24,898	—	—	—	25,320
Expenses incurred in connection with issue of shares	—	(9,572)	—	—	—	(9,572)
Profit for the period	—	—	—	—	8,072	8,072
At 31st December, 2003	<u>2,000</u>	<u>18,428</u>	<u>7,205</u>	<u>(126)</u>	<u>3,502</u>	<u>31,009</u>
Representing:						
2003 final dividend proposed						2,000
Reserves at 31st December, 2003						<u>29,009</u>
						<u>31,009</u>
(Unaudited)						
At 1st January, 2004	2,000	18,428	7,205	(126)	3,502	31,009
Contribution from a minority shareholder/director (Note (ii))	—	—	—	—	819	819
Dividend paid	—	—	—	—	(2,000)	(2,000)
Loss for the period	—	—	—	—	(1,067)	(1,067)
Exchange differences	—	—	—	455	—	455
At 31st December, 2004	<u>2,000</u>	<u>18,428</u>	<u>7,205</u>	<u>329</u>	<u>1,254</u>	<u>29,216</u>

Notes:

- (i) The special reserve represents the difference between the nominal value of the shares of D Byford Holdings Limited, which was the holding company of other Group companies prior to a group reorganisation (see Note 1 at page 5) and the nominal value of the Company's shares issued for share exchange at the time of the group reorganisation.
- (ii) "Contribution from a minority shareholder/director" represents the amount reimbursed by a minority shareholder, who is also a director of the Company, in respect of the exchange loss incurred by the Group upon the settlement of the payment relating to the acquisition of trademarks.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the twelve months ended 31st December, 2004

	Twelve months ended 31st December,	
	2004 (Unaudited) HK\$'000	2003 (Audited) HK\$'000
Net cash used in operating activities	(1,178)	(5,162)
Net cash generated from/(used in) investing activities	866	(71)
Net cash (used in)/generated from financing activities	<u>(2,846)</u>	<u>11,747</u>
Net (decrease)/increase in cash and cash equivalents	(3,158)	6,514
Cash and cash equivalents at 1st January	515	(5,999)
Effect of foreign exchange rate changes	<u>290</u>	<u>—</u>
Cash and cash equivalents at 31st December	<u>(2,353)</u>	<u>515</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	883	1,979
Bank overdrafts	<u>(3,236)</u>	<u>(1,464)</u>
	<u>(2,353)</u>	<u>515</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

Group reorganisation

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

A group reorganization, which included exchange of shares, was carried out to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Exchange. Pursuant to the completion of the group reorganization, the Company became the holding company of the companies comprising the Group on 10th June, 2003. Details of the group reorganisation were set out in the prospectus of the Company dated 23rd June, 2003 ("Prospectus").

The shares of the Company have been listed on GEM of the Exchange since 27th June, 2003 ("New Listing").

The consolidated results for the three months and the twelve months ended 31st December, 2003 and 2004 are prepared as if the current group structure had been in existence throughout the periods, or since their respective dates of incorporation, where this is a shorter period.

Change of financial year end

With effect from 26th July, 2004, Roly International Holdings Ltd., a company incorporated in Bermuda and listed on the Singapore Exchange Securities Trading Limited, has become the ultimate holding company of the Company.

The financial year end of the Company has been changed from 31st December to 30th April to be co-terminous with that of its ultimate holding company. Accordingly, the Company and its subsidiaries will prepare its next annual accounts as at and for the sixteen months ending 30th April, 2005, and the Company will publish its unaudited fifth quarterly results for the three months and fifteen months ending 31st March, 2005.

2. Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with International Accounting Standard 34 "Interim Financial Reporting".

3. Principal accounting policies

The principal accounting policies adopted in preparing the condensed consolidated financial statements of the Group are consistent with the accounting policies used in the preparation of the annual financial statements of the Group for the year ended 31st December, 2003.

4. Business and geographical segments

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

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

For the twelve months ended 31st December, 2004 (Unaudited)

	Malaysia HK\$'000	Singapore HK\$'000	Dubai HK\$'000	Other HK\$'000	Total HK\$'000
Segment turnover					
Sale of men's innerwear, sock and apparel	20,084	17,007	4,508	780	42,379
Royalties income	—	—	—	4,788	4,788
	<u>20,084</u>	<u>17,007</u>	<u>4,508</u>	<u>5,568</u>	<u>47,167</u>
Segment results					
Sale of men's innerwear, sock and apparel	1,549	458	122	21	2,150
Royalties income	—	—	—	2,255	2,255
	<u>1,549</u>	<u>458</u>	<u>122</u>	<u>2,276</u>	<u>4,405</u>
Unallocated costs					(4,730)
Finance costs					<u>(794)</u>
Loss before taxation					<u>(1,119)</u>

Analysis of royalties income included in the above:

	Asia HK\$'000	Europe and the United States of America HK\$'000	Total HK\$'000
Royalties income			
Segment turnover	4,046	742	<u>4,788</u>
Segment results	<u>1,905</u>	<u>350</u>	<u>2,255</u>

For the twelve months ended 31st December, 2003 (Audited)

	Malaysia HK\$'000	Singapore HK\$'000	Dubai HK\$'000	Other HK\$'000	Total HK\$'000
Segment turnover					
Sale of men's innerwear, sock and apparel	25,100	16,753	4,709	1,155	47,717
Royalties income	—	—	—	3,972	3,972
	<u>25,100</u>	<u>16,753</u>	<u>4,709</u>	<u>5,127</u>	<u>51,689</u>
Segment results					
Sale of men's innerwear, sock and apparel	5,654	2,367	666	163	8,850
Royalties income	—	—	—	1,857	1,857
	<u>5,654</u>	<u>2,367</u>	<u>666</u>	<u>2,020</u>	<u>10,707</u>
Unallocated costs					(1,796)
Finance costs					(990)
Profit before taxation					<u>7,921</u>

Analysis of royalties income included in the above:

	Asia HK\$'000	Europe and the United States of America HK\$'000	Total HK\$'000
Royalties income			
Segment turnover	3,306	666	3,972
Segment results	<u>1,546</u>	<u>311</u>	<u>1,857</u>

5. **Profit/(loss) before taxation**

Profit/(loss) before taxation has been arrived at after charging:

	Twelve months ended 31st December, 2004	
	(Unaudited) HK\$'000	(Audited) HK\$'000
Amortisation on trademarks (included in administrative expenses)	928	919
Depreciation of fixed assets	861	828
Operating lease payments in respect of land and buildings	1,468	1,449
Interest on		
— Borrowings	699	920
— Finance leases	95	70
Provision of/(write-back of the provision of) inventories	<u>176</u>	<u>(2,324)</u>

6. Taxation (charge)/credit

	Twelve months ended 31st December,	
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current tax		
Singapore income tax	(141)	(301)
Overprovision in prior years		
Singapore	193	—
Malaysia	—	22
Deferred tax	—	430
	<u>52</u>	<u>151</u>

The Malaysia income tax and Singapore income tax are calculated at rates of 28% (2003: 28%) and 20% (2003: 22%), respectively, on the assessable profits of the Group arising in the respective jurisdiction during the periods.

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

7. Dividends

	Twelve months ended 31st December,	
	2004	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Final dividend proposed in respect of the financial year ended 31st December, 2003 of 1 HK cent per share	—	2,000
Interim dividend declared	—	—
	<u>—</u>	<u>2,000</u>

8. Earnings/(loss) per share

	Three months ended 31st December, 2004		Twelve months ended 31st December, 2004	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings/(loss) for the purpose of calculating earnings per share	992	4,487	(1,067)	8,072
Number of shares				
Weighted average number of shares for the purpose of basic earnings/(loss) per share (Note (i))	200,000,000	200,000,000	200,000,000	181,677,778
Weighted average number of shares for the purpose of diluted earnings/(loss) per share (Note (ii))	200,000,000	201,872,146	200,000,000	182,099,525

Notes:

- (i) The calculations of the basic earnings/(loss) per share are based on the Group's results for the period and on the weighted average number of shares of the Company that was issued during the twelve months ended 31st December, 2004 or that would have been in issue throughout the twelve months ended 31st December, 2003 on the assumption that the group reorganisation had been completed at the beginning of 1st January, 2003.
- (ii) The calculations of the diluted earnings/(loss) per share are based on the Group's results for the periods and on the weighted average number of the shares of the Company after taking into account of the dilutive effect of the number of shares issuable under the share option scheme of the Company.

9. Trade receivables

The general credit terms granted to customers range from 60 to 120 days. The aging analysis of trade receivables net of provisions is as follows:

	31st December, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
0 — 30 days	6,108	10,904
31 — 60 days	2,740	4,409
61 — 90 days	2,889	2,741
91 — 120 days	806	947
121 — 150 days	252	402
151 — 180 days	650	80
Over 180 days	391	—
	<u>13,836</u>	<u>19,483</u>

10. Trade payables

The aging analysis of trade payables is as follows:

	31st December, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
0 — 30 days	1,640	2,161
31 — 60 days	1,033	1,860
61 — 90 days	743	1,394
91 — 120 days	—	778
Over 120 days	—	145
	<u>3,416</u>	<u>6,338</u>

11. Bank borrowings

	31st December, 2004 (Unaudited) HK\$'000	31st December, 2003 (Audited) HK\$'000
Bank overdrafts	3,236	1,464
Trust receipt loans	1,976	—
Bank loans	<u>2,455</u>	<u>3,910</u>
	7,667	5,374
Less: Amount due within one year shown under current liabilities	<u>(6,704)</u>	<u>(2,942)</u>
Amounts due after one year	<u>963</u>	<u>2,432</u>

12. Share capital

	Number of Shares	HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each		
At 31st December, 2003 and at 31st December, 2004	<u>1,000,000,000</u>	<u>10,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each		
At 31st December, 2003 and at 31st December, 2004	<u>200,000,000</u>	<u>2,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

The Group's turnover reduced by 8.7% for the twelve months ended 31st December, 2004 (the "Reported Period") to HK\$47,167,000 compared to the twelve months ended 31st December, 2003. The drop arose as a result of the management's decision to review its customer segments and cease trading with certain customers in Malaysia. Operating under a challenging business environment in Malaysia, sales fell by 20.0% to HK\$20,084,000 in 2004 compared to the turnover in 2003 of HK\$25,100,000.

Byford, as a strong worldwide brand, will continue to have an increase in market awareness of its products across different Asian countries with a focus in Greater China, and to this effect, will continue to pursue its branding and sponsorship programmes. *Byford* recently in January 2005 participated in the World Boutique show in Hong Kong with a view to further promote its brand in Asia.

Profit/(loss) from operation

Operating loss for the Reported Period stood at HK\$325,000 compared to an operating profit of HK\$8,911,000 for the prior twelve months period as a result of the following contributing factors:

- royalties revenue in 2004 increased by HK\$816,000 or 20.5% compared to 2003 as a result of the Group's licensees achieved higher sales compared to their minimum guarantee levels;
- gross profit reduced by 5.3% to 45.4% compared to 50.7% for the corresponding period in 2003 as a result of an overprovision of excess inventory provision written back against cost of sales in 2003 of HK\$2,324,000. The average budgeted gross profit margin has remained stable at the range of 40% to 45%;
- selling and distribution costs as a percentage of turnover increased to 14.8% in 2004 compared to 11.6% in 2003 as a result of a combination of, an increase in one-off promotional activities and the opening of three new sales counters in Malaysia, and the reduction in turnover in 2004 compared to 2003; and
- administrative expenses increased by HK\$3,471,000 and represents 32.5% (2003: 22.9%) of turnover mainly as a result of one-off exceptional costs incurred by the Company for the appointment of independent financial

advisers and related legal costs in connection with a circular to the shareholders dated 28th July, 2004 of HK\$317,000 in relation to the general offer for the Company's shares, foreign exchange loss of HK\$819,000 incurred upon the settlement of outstanding amount for acquisition of trademarks, quarterly announcements on GEM of the Exchange, other compliance costs and increase in overseas travelling.

Finance costs

Finance costs continued to fall by 19.8% to HK\$794,000 due to the continuing repayment of term loan.

Net (loss)/profit

Loss before taxation stood at HK\$1,119,000 as compared to a profit before taxation of HK\$7,921,000 for the prior period mainly as a result of reduced turnover, increased selling and distribution cost, and significantly increased administrative expenses due to additional costs incurred as a result of issuing the abovementioned circular to the shareholders and publication of related announcements, foreign exchange loss, quarterly compliance costs and overseas travelling. The tax credit for the Reported Period relates to an overprovision of overseas tax in prior year. Loss after tax was HK\$1,067,000 for 2004 compared to a profit after tax of HK\$8,072,000 for 2003.

Liquidity and financial resources

The Group used HK\$1,178,000 to fund its operations mainly as a result of increase in inventories of HK\$1,125,000, decrease in trade receivables of HK\$5,647,000, increase in other receivable, deposits and prepayment of HK\$423,000, decrease in payments to trade suppliers of HK\$2,922,000 and decrease in payments to other payables and accruals of HK\$3,560,000.

The Group ended the twelve-month period with bank balances and cash of HK\$883,000 and bank overdraft of HK\$3,236,000 leaving net overdrawn cash and cash equivalents of HK\$2,353,000 and has unutilised banking facilities of HK\$10,325,000.

The Group's current ratio compared to prior period is maintained at similar level at 2.05 compared to 1.97. Debtor days stood at 107 as a result of peak sales period during the fourth quarter ended 31st December, 2004 while creditor days stood at 48 compared to 91. The Group's gearing ratio increased to 22.1% at 31st December, 2004 compared to 17.5% at 31st December, 2003 as a result of the slightly reduced equity base in 2004.

Major movements in the Condensed Consolidated Cash Flow Statement between 31st December, 2003 and 31st December, 2004 resulting in the net cash and cash equivalents to a net overdrawn position of HK\$2,353,000 at 31st December, 2004 from net cash position of HK\$515,000 at 31st December, 2003 are as follows:

- operating profit before movement in working capital HK\$1,456,000;
- increase in inventories of HK\$1,125,000;
- decrease in trade receivables of HK\$5,647,000;
- increase in other receivables, deposits and prepayments of HK\$423,000;
- decrease in trade payables of HK\$2,922,000;
- decrease in other payables and accruals of HK\$3,560,000; and
- taxation paid of HK\$264,000.

At the Reported Period end, total bank borrowings of HK\$7,667,000 were outstanding and the Group has trademarks and assets pledged as security for its banking facilities. There has been no major capital expenditure during the Reported Period.

Use of Proceeds from New Listing

	Actual usage from 1st October, 2004 to 31st December, 2004 HK\$'000
Brand building	210
Developing new license territories	—
Developing new distribution markets	47
Integrated global sourcing	30
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BUSINESS REVIEW

Trading

During the Reported Period, the Group achieved a total trading revenue of HK\$47,167,000, approximately 8.7% lower as compared to HK\$51,689,000 for the same period last year. The drop in revenue is mainly attributable to reduced sales in Malaysia due to tighter credit control measures introduced since the second quarter of 2004 and management's decision to cease trading with certain customers in Malaysia. The Malaysian retail industry has experienced an unexpected increase in credit risk pressure since the second quarter of 2004 and continues to present a challenging trading environment.

Turnover from geographical segments for Malaysia declined by 20.0%, Singapore increased 1.5% while export to Dubai under IGS declined by 4.3%.

Licensing

Royalties revenue in 2004 increased by HK\$816,000 or 20.5% compared to 2003 as a result of the licensees achieving higher sales compared to their minimum guarantee levels. Two of the Company's licensees in Japan and the United Kingdom have given their notice not to renew their licensing agreements with effect from 1st January, 2005. The Company is reviewing proposals from potential licensees in the United Kingdom and are continuing its look for suitable licensees for Japan. During the Reported Period, the Group has continued to strengthen the global direction and monitor its licensees ("Licensees") and to integrate their activities. Initial steps to restructure the United Kingdom business have been taken. Following research and review, an appropriate licensing structure for the Company has been finalised and will be implemented during the first half of 2005.

Business objectives

Details of the Group's business objectives are set out in the section headed "Statement of Business Objectives" ("Business Objectives") in the Prospectus. Save as disclosed above, the Company has no other investment plans as at 31st December, 2004.

Comparison between Business Objectives and actual business growth*Business Objectives**Actual progress as at 31st December, 2004*

Brand building

The Group is embarking on an aggressive brand building drive and participated in the World Boutique show in Hong Kong in January 2005.

Developing new license territories

The Group continues its efforts to identify and appoint new licensees. The Group is focusing its efforts to recruit new licensees for Japan and the United Kingdom.

Developing new distribution markets

The Group is exploring opportunities to utilise the distribution capabilities of its new controlling shareholder, Roly International Holdings Ltd. ("Roly"), a company listed on the Singapore Exchange Securities Trading Limited.

Integrated global sourcing ("IGS")

Theme collections are being upgraded for the Group's international IGS customer. The new collections, Easy to Wear (Loungewear) and Signature Underwear have been released.

Customer relationship management
("CRM")

The Company will review its CRM requirements with the expanded resources of Roly.

Outlook

In respect of 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. The Group is planning an aggressive program, commencing with its participation at the "World Boutique, Hong Kong" concurrently with Hong Kong Fashion Week Fall/Winter 2005 held in Hong Kong in January 2005.

Following the Group's review of the most appropriate licensing structure for its future business, the Group's new licensing initiatives will include:

- A new licensing team based in Hong Kong, to develop and oversee the licences in Asian territories;
- Restructuring the United Kingdom licensing office to an agency basis for non-Asian licensing business; and
- Targeting licences in different territories and product extensions into items such as outerwear, shoes and bags.

The Company is planning to expand its brand portfolio and is conducting research with its licensees to extend its product categories and customer segments.

The Group will continue to leverage its IGS platform to maximise the benefits of its sourcing capabilities. The Group aims 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. This unique platform allows the Group to facilitate the securing of new licensees or distributors in new territories as it provides a mature product range readily available to shorten the set up time.

The Group's trading operation will focus on distributing its own brands. Looking ahead to 2005, while there is no significant sales growth expected from Singapore, the Group foresees continued softening of the retail segment and new credit control measures implemented in Malaysia and reduction in trading of third party branded product, which may result in further decline in revenue for Malaysia.

The Group, apart from continuing to develop various strategic business relationships globally, has achieved a major milestone by the participation of Pacific Genius Group Limited ("PGGL" a wholly-owned subsidiary of Roly), the new controlling shareholder holding 67.3% equity interest in the Company as at 31st December 2004.

Despite the small operating loss, including a one-off exceptional cost incurred by the Company in connection with the general offer by Roly of HK\$1,136,000 for the current financial period ended at 31st December, 2004, the Group will improve the economies of scale of its operations and tighten its credit sanctioning of its customers. An operating budget will be set aside next quarter to invest in advertising and promotion, brand management activities and to aggressively seek out and sign on capable licensees to build brand awareness and identify clearer consumer demand with the view to gain greater product presence in the premium channels. Management intends to build on the heritage brand of *Byford* but at the same time, make *Byford* relevant for the contemporary young executive professionals.

The Group's future emphasis will be on building a strong licensing foundation from which we hope to generate future profit growth.

Corporate governance

The Group is committed to implement good corporate governance and transparency in its financial statements and has three independent non-executive Directors in compliance with the GEM Listing Rules. In addition, the Group has engaged its auditors, Messrs. PricewaterhouseCoopers to review its fourth quarterly results announcement. The Group now has three independent non-executive Directors who are all qualified accountants, namely Messrs. Chow Chi Kiong (chairman of audit committee), Yue Kwai Wa, Ken and Chong Tao Boon, Vincent.

Human resources

At 31st December, 2004, the Group employed a total of 89 employees (2003: 86). The Group is committed to attracting, developing and retaining its people and offers competitive remuneration packages with bonuses and employee share options based on individual performance, experience and industry norms.

Dividend

The Directors do not recommend the payment of an interim dividend for the three months or the twelve months ended 31st December, 2004 (2003: Final dividend of HK\$2,000,000).

Sponsor's interest

On 19th August, 2004, the Company entered into an agreement with Cazenove Asia Limited ("Cazenove"), whereby Cazenove will receive a fee for acting as the Company's continuing sponsor for the period commencing on 10th September, 2004 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, 2004, none of Cazenove, its directors, employees and their associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Audit committee

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (formerly known as 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 now comprises three independent non-executive Directors, namely Messrs. Chow Chi Kiong (chairman of audit committee), Yue Kwai Wa, Ken, and Chong Tao Boon, Vincent. The audit committee has reviewed with management and the Company's auditors, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated quarterly financial statements for the twelve months ended 31st December, 2004.

The audit committee met on 3rd February, 2005 to review and consider these quarterly results with the auditors and to recommend to the Board for its approval of these results.

Competing interest

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

Rules 17.15 to 17.21 of the GEM Listing Rules

The Directors have confirmed that the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

Board practices and procedures

During the twelve months ended 31st December, 2004, the Company has complied with board practices and procedures as set out in Rule 5.34 and Appendix 15 of the GEM Listing Rules.

Purchase, sale or redemption of securities

During the twelve months ended 31st December, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

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

As at 31st December, 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules were as follows:

(1) Long positions in the shares of the Company

Name	Type of interest	Number of issued shares held	% of issued share capital
Mr. Wang Lu Yen	Corporate (<i>Note 1</i>)	134,609,990	67.30%
Mr. Chai Sing Hong	Personal	12,045,000	6.02%
Ms. Chan Wai Yee	Personal (<i>Note 2</i>)	12,045,000	6.02%
Mr. Md Wira Dani Bin Abdul Daim	Corporate (<i>Note 3</i>)	2,500,000	1.25%

Notes:

- As at 31st December, 2004, Mr. Wang Lu Yen, Mrs. Wang Liaw Bin Bin, the wife of Mr. Wang Lu Yen, and Megastar Holdings Limited, a company controlled by Mr. Wang Lu Yen, held approximately 34.81% of the issued share capital of Roly. Mr. Wang Lu Yen is thus deemed, by virtue of the SFO, to be interested in all the shares of the Company in which Roly is interested. As at 31st December, 2004, Roly, the ultimate holding company of the Company, through PGGL, held 134,609,990 shares, representing 67.30% of the issued share capital of the Company. As at 31st December, 2004, the issued share capital of Roly was US\$40,732,876.40 divided into 407,328,764 shares of US\$0.10 each.
- Ms. Chan Wai Yee is the spouse of Mr. Chai Sing Hong. Ms. Chan is deemed to be interested in Mr. Chai's interest in the shares of the Company.
- Skyline Agents Limited, a company incorporated in the British Virgin Islands, holds 2,500,000 shares, representing 1.25% of the entire issued share capital of the Company. It is legally and beneficially wholly-owned by Mr. Md Wira Dani Bin Abdul Daim. Accordingly he is deemed to be interested in the shares held by Skyline Agents Limited under the SFO.

(2) Long positions in the shares of associated corporations

Name of associated corporations	Name of Directors	Capacity	Number of issued shares held	Percentage shareholding as at 31st December, 2004
Roly (<i>Note 1</i>)	Wang Lu Yen	Beneficial owner	20,200,000	4.96%
		Interest of spouse (<i>Note 2</i>)	350,000	0.09%
		Interest of a controlled corporation (<i>Note 3</i>)	121,243,500	29.77%
Roly	Khoo Kim Cheng	Beneficial owner	2,172,000	0.53%
Roly	Lin Jui Hsien, Jacob	Beneficial owner	3,161,298	0.78%
Roly	King Jun Chih, Joseph	Beneficial owner	83,000	0.02%
Linmark Group Limited ("Linmark") (<i>Note 4</i>)				
	Wang Lu Yen	Beneficial owner	620,000	0.09%
		Interest of a controlled corporation (<i>Note 5</i>)	437,340,000	66.82%
Linmark	Khoo Kim Cheng	Beneficial owner	170,000	0.03%
Linmark	King Jun Chih, Joseph	Beneficial owner	39,000	0.01%

Notes:

- As at 31st December, 2004, Roly, the ultimate holding company of the Company, through PGGL, held 134,609,990 shares, representing 67.30% of the issued share capital of the Company. As at 31st December, 2004, the issued share capital of Roly was US\$40,732,876.40 divided into 407,328,764 shares of US\$0.10 each.
- These shares in Roly were held by Mrs. Wang Liaw Bin Bin, the wife of Mr. Wang Lu Yen.
- These shares in Roly were held by Megastar Holdings Limited, the entire issued share capital of which is owned by Mr. Wang Lu Yen. Mr. Wang Lu Yen is a director of Megastar Holdings Limited.
- As at 31st December, 2004, Roly, the ultimate holding company of Linmark, through RGS Holdings Limited, held 437,340,000 shares, representing approximately 66.82% of the issued share capital of Linmark. As at 31st December, 2004, the issued share capital of Linmark was US\$13,091,020 divided into 654,551,000 shares of US\$0.02 each.

5. These shares in Linmark were held by RGS Holdings Limited, the entire issued share capital of which is owned by Roly. As at 31st December, 2004, Mr. Wang Lu Yen, Mrs. Wang Liaw Bin Bin, the wife of Mr. Wang Lu Yen, and Megastar Holdings Limited, a company controlled by Mr. Wang Lu Yen, held approximately 34.81% of the issued share capital of Roly. Mr. Wang Lu Yen is thus deemed, by virtue of the SFO, to be interested in all the shares of Linmark in which Roly is interested.

(3) Long positions in the underlying shares of the Company

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

As a result of the general offer made by Roly on 18th August, 2004, there are no outstanding options under the Company's Pre-IPO Share Option Scheme. There has been no options granted under the Employee Share Option Scheme.

(4) Long positions in the underlying shares of associated corporations

Name of associated corporations	Name of Directors	Capacity	Number of underlying shares (as further comprised and detailed in (a), (b) and (c) below)
Roly	Wang Lu Yen	Beneficial owner	6,650,000
Roly	Wang Lu Yen	Interest of spouse	87,500
Roly	Wang Lu Yen	Interest of a controlled corporation	30,310,875
Roly	Khoo Kim Cheng	Beneficial owner	8,593,000
Roly	Lin Jui Hsien, Jacob	Beneficial owner	8,515,324
Roly	George Chen	Beneficial owner	1,000,000
Roly	King Jun Chih, Joseph	Beneficial owner	1,100,000
Linmark	Khoo Kim Cheng	Beneficial owner	8,320,000
Linmark	King Jun Chih, Joseph	Beneficial owner	1,085,000

(a) *Rights to acquire shares of associated corporations*

Pursuant to the share option scheme of Roly, the ultimate holding company of the Company, certain Directors were granted share options to subscribe for shares of Roly, details of which as at 31st December, 2004, were as follows:

Name of Directors	Date of grant	Number of share options to subscribe for shares of Roly as at 31st December, 2004	Exercise period	Subscription price per share of Roly
Wang Lu Yen	23/08/2004	1,600,000	23/08/2005 — 22/08/2010	US\$0.248
Khoo Kim Cheng	10/02/2000	1,350,000	10/02/2001 — 09/02/2005	US\$0.150
	07/03/2002	2,000,000	07/03/2004 — 06/03/2010	US\$0.130
	22/11/2002	1,500,000	22/11/2003 — 21/11/2008	US\$0.138
	09/05/2003	2,000,000	09/05/2004 — 08/05/2009	US\$0.151
	30/03/2004	1,200,000	30/03/2005 — 29/03/2010	US\$0.321
Lin Jui Hsien, Jacob	10/02/2000	600,000	10/02/2001 — 09/02/2005	US\$0.150
	21/08/2001	1,200,000	21/08/2002 — 20/08/2009	US\$0.100
	07/03/2002	2,000,000	07/03/2004 — 06/03/2010	US\$0.130
	22/11/2002	1,500,000	22/11/2003 — 21/11/2008	US\$0.138
	09/05/2003	1,500,000	09/05/2004 — 08/05/2009	US\$0.151
	30/03/2004	1,000,000	30/03/2005 — 29/03/2010	US\$0.321
George Chen	30/03/2004	300,000	30/03/2005 — 29/03/2010	US\$0.321
	23/08/2004	700,000	23/08/2005 — 22/08/2010	US\$0.248
King Jun Chih, Joseph	22/11/2002	300,000	22/11/2003 — 21/11/2008	US\$0.138
	09/05/2003	600,000	09/05/2004 — 08/05/2009	US\$0.151
	30/03/2004	200,000	30/03/2005 — 29/03/2010	US\$0.321

- (b) Certain Directors were granted bonus warrants by Roly on 29th April, 2004 to subscribe for shares of Roly, details of which as at 31st December, 2004, were as follows:

Name of Directors	Number of warrants to subscribe for shares of Roly as at 31st December, 2004 (Note 1)	Exercise period	Subscription price per share of Roly
Wang Lu Yen (beneficial owner)	5,050,000	29/04/2004 — 28/04/2009	S\$0.75
Wang Lu Yen (Note 2)	87,500	29/04/2004 — 28/04/2009	S\$0.75
Wang Lu Yen (Note 3)	30,310,875	29/04/2004 — 28/04/2009	S\$0.75
Khoo Kim Cheng (beneficial owner)	543,000	29/04/2004 — 28/04/2009	S\$0.75
Lin Jui Hsien, Jacob (beneficial owner)	715,324	29/04/2004 — 28/04/2009	S\$0.75

Notes:

- Each warrant entitles the holder to subscribe for one share of Roly.
- These warrants in Roly were held by Mrs. Wang Liaw Bin Bin, the wife of Mr. Wang Lu Yen.
- These warrants in Roly were held by Megastar Holdings Limited, the entire issued share capital of which is owned by Mr. Wang Lu Yen. Mr. Wang Lu Yen is a director of Megastar Holdings Limited.

- (c) Pursuant to the share option scheme of Linmark, a fellow subsidiary of the Company, certain Directors were granted share options to subscribe for shares of Linmark, details of which as at 31st December, 2004, were as follows:

Name of Directors	Date of grant	Number of share options to subscribe for shares of Linmark as at 31st December, 2004	Exercise period	Subscription price per share of Linmark
Khoo Kim Cheng	21/05/2002	3,800,000	21/05/2003 — 20/05/2008	HK\$2.550
	06/11/2002	2,200,000	06/11/2003 — 05/11/2008	HK\$1.600
	30/05/2003	920,000	30/05/2004 — 29/05/2009	HK\$2.125
	30/03/2004	1,400,000	30/03/2005 — 29/03/2010	HK\$2.975
King Jun Chih, Joseph	21/05/2002	525,000	21/05/2003 — 20/05/2008	HK\$2.550
	06/11/2002	240,000	06/11/2003 — 05/11/2008	HK\$1.600
	30/05/2003	170,000	30/05/2004 — 29/05/2009	HK\$2.125
	30/03/2004	150,000	30/03/2005 — 29/03/2010	HK\$2.975

Save as disclosed above, as at 31st December, 2004, none of the directors and chief executives 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) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

PERSONS WITH INTERESTS IN THE COMPANY WHICH ARE DISCLOSEABLE UNDER SECTION 336 OF PART XV OF THE SFO

So far as the directors or chief executive of the Company are aware, as at 31st December, 2004, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions (directly or indirectly) in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares of the Company

Name	Capacity	Number of issued shares held	% of issued share capital
PGGL	Beneficial owner (<i>Note</i>)	134,609,990	67.30%

Note: PGGL, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Roly. Roly is a company incorporated in Bermuda, the shares of which are listed on the Singapore Exchange Securities Trading Limited. Mr. Wang Lu Yen and his associates, are directly and indirectly holding approximately 34.81% of issued share capital of Roly. Accordingly, Roly and Mr. Wang Lu Yen are deemed to be interested in all shares of the Company held by PGGL.

Save as disclosed above, as at 31st December, 2004, no person (not being a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO.

SUBSEQUENT EVENT

On 3rd February, 2005, Donald Byford & Sons Pte. Ltd. (“DBS”), an indirect wholly owned subsidiary of the Company incorporated in Singapore, entered into a trademarks assignment (the “Trademarks Assignment”) with 福績(惠州)紡織綜合廠有限公司 and 結寶股份有限公司 (Gee Power Knitting Company Limited) (together, the “Assignors”) pursuant to which the Assignors agreed to assign the Baby-Q and related trademarks to DBS for a consideration of RMB3 million. Details of the Trademarks Assignment are set out in the announcement of the Company dated 7th February, 2005. A circular containing details of the Trademarks Assignment will be despatched to shareholders in accordance with the GEM Listing Rules.

By Order of the Board of
Byford International Limited
Choong Khuat Leok
Company Secretary

Hong Kong, 14th February, 2005