

**BYFORD INTERNATIONAL LTD:
NEED SOME SOCKS ?**

It is, indeed, rare, these days, for a company, coming to The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, to issue a profit forecast, 6 months, down the line.

But that is, exactly, what Byford International Ltd did when it pitched its story in its **Initial Public Offering** (IPO) on June 23, 2003.

And Byford International, said, in very definitive terms, that it expected its Bottom Line to rise from the \$HK393,000, recorded for the 2002 Financial Year, ended December 31, 2002, to not less than \$HK7.60 million for the Current Financial Year.

At Page 113 of the Placing Prospectus of Byford International, it is stated:

'The Directors forecast that, in the absence of unforeseen circumstances and on the bases (sic) and assumptions set out in Appendix II to this prospectus, the forecast of the combined profit after tax but before extraordinary items of the Group for the year ending 31st December, 2003 will not be less than HK\$7.6 million. The expected increase in profit from HK\$393,000 in 2002 is derived mainly on the basis of the Directors' belief in the following factors: (i) stable volume of sales of finished goods to wholesalers, department stores, retail outlets; (ii) increase in sales of finished goods due to further implementation and progress of the IGS (Integrated Global Sourcing); (iii) increase in royalty income as a result of the continued improvement in overall cooperation and synergy between the Group and its licensees, as well as additional advertising and promotional activities; (iv) discontinuance of the loss making business line of children's wear. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31st December, 2003.'

Byford International describes its focus in the following terms:

'The Group is principally engaged in the sourcing, sale and distribution of men's innerwear and socks under the Byford brandname. The Group acquired the worldwide Byford trademarks for a consideration of HK\$18.8 million in May 2001. Prior to such acquisition, the Group was a licensee of the Byford and other international brandnames and was principally engaged in the distribution and sale of Byford products in Malaysia and Singapore. As a result of the acquisition of the Byford trademark, the Group became the worldwide licensor of the Byford trademark in 2001 and commenced its business of brand ownership management.' (Page 60 of the Prospectus)

This Company, therefore, must be considered only a couple of years old, actually, but, clearly, Management has been in the business of selling apparel for some time, as will become only too apparent, later on in this analysis.

According to the Prospectus, the Byford brand of socks and what-have-you has been around since about 1919, with the original company, having been domiciled in Great Britain where it was said that its socks and men's innerwear had been widely recognised.

Byford International does not manufacture anything, today, but contracts with independent factories to produce those garments that are required, in accordance with sales forecasts.

This Company Placed a total of 42.20 million, one-cent New Shares at a Premium of 59 cents per Share, netting Byford International about \$HK18.37 million, after all expenses.

At the time of the IPO, Mr Chai Sing Hong, the Chairman and Chief Executive, and Ms Chai Sing Fai, the Chairman's sister, who is an Executive Director of the Company, took the opportunity to Place 7.20 million Shares and 800,000 Shares, respectively, on the same terms as the Company Placed its New Shares.

The money, raised by the Company in this exercise, is to be allocated for the following purposes, it is stated at Page 86 of the Prospectus:

1. \$HK6.93 million for global brand-building;
2. \$HK320,000 to locate new territories in order to sell the Company's products;
3. \$HK6.89 million to expand the Company's distribution network;
4. \$HK3.64 million to develop, further, the Company's integrated global sourcing platform; and,
5. \$HK590,000 to retire some of the Company's debts to banks.

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