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SEWCO INTERNATIONAL HOLDINGS LIMITED

崇高國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

(Warrant Code: 134)

ANNOUNCEMENT

The board of directors (the "Board") of Sewco International Holdings Limited (the "Company") refers to press articles which appeared in various newspapers on 22nd June 2005 regarding the arrest of some senior executives of the Company, including the Chairman of the Board and the announcement of the Company dated 28th June 2005 in relation to the resignation of Mr. YEUNG Po Chin and appointment of Mr. LAM Chin Fung as independent non-executive director of the Company.

The Board held a meeting on 28th June 2005 and discussed and resolved, amongst other things, the following matters:

- i) the resignation of Mr. CHEUNG Po Lun (“Mr. CHEUNG”), the controlling shareholder of the Company, as the Chairman of the Board and an executive director of the Company with effect from the conclusion of the board meeting of the Company held on 28th June 2005;
- ii) the suspension of the duties of Mr. HUI Kwok Chu (“Mr. HUI”), as an executive director and also the chief executive officer of the Company with effect from the conclusion of the board meeting of the Company held on 28th June 2005 until the Independent Commission Against Corruption has completed its investigation; and
- iii) the appointment of Ms. CHEUNG Yan, Priscilla (“Ms. CHEUNG”) as an executive director of the Company and the Chairman of the Board and Mr. CHEUNG Wang as an executive director of the Company with effect from the conclusion of the board meeting of the Company held on 28th June 2005.

At the request of the Company, trading in the securities of the Company was suspended with effect from 2:30 p.m. on 20th June 2005 and will remain suspended pending review of the Group’s accounts.

MEETING OF THE BOARD OF DIRECTORS

The board of directors (the “Board”) of Sewco International Holdings Limited (the “Company”) refers to press articles which appeared in various newspapers on 22nd June 2005 regarding the arrest of some senior executives of the Company, including the Chairman of the Board and the announcement of the Company dated 28th June 2005 in relation to the resignation of Mr. YEUNG Po Chin and appointment of Mr. LAM Chin Fung as independent non-executive director of the Company.

It was stated in the press articles that some senior executives of the Company, including the Chairman of the Board, were alleged to have solicited illegal rebates amounting to approximately HK\$6 million from a number of suppliers for placing purchase orders with them between 2002 and 2004 (“Incident”). To facilitate the payment of the alleged secret rebates, the suppliers were alleged to have inflated their invoices billed to the Company, and the secret rebates were paid into the bank accounts of the purchasing manager of the Company.

The Board held a meeting on 28th June 2005 and discussed and resolved, amongst other things, the following matters:

- i) the resignation of Mr. CHEUNG Po Lun (“Mr. CHEUNG”), the controlling shareholder of the Company, as the Chairman of the Board and an executive director of the Company with effect from the conclusion of the board meeting of the Company held on 28th June 2005;
- ii) the suspension of the duties of Mr. HUI Kwok Chu (“Mr. HUI”), as an executive director and also the chief executive officer of the Company with effect from the conclusion of the board meeting of the Company held on 28th June 2005 until the Independent Commission Against Corruption has completed its investigation; and
- iii) the appointment of Ms. CHEUNG Yan, Priscilla (“Ms. CHEUNG”) as an executive director of the Company and the Chairman of the Board and Mr. CHEUNG Wang as an executive director of the Company with effect from the conclusion of the board meeting of the Company held on 28th June 2005.

At the board meeting held on 28th June 2005, Mr. CHEUNG and Mr. HUI confirmed that they were arrested by the Independent Commission Against Corruption and have been released on bail in connection with the alleged illegal rebates with a number of suppliers amounting to approximately HK\$6 million between 2002 and 2004. The purchasing manager of the Company was also arrested and subsequently released on bail.

The Board has inquired with Mr. CHEUNG and Mr. HUI regarding the Incident but both advised that they have to consult their legal advisers if they are in a position to disclose further information.

The Board advises that save as to the information already disclosed above and in various newspapers in relation to the Incident, there are no other matters relating to the Incident which are or may be disclosable pursuant to the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Board will review the accounts of the Company and its subsidiaries (collectively as the “Group”) to consider whether the accounts will be affected by the Incident and aims to complete its review of the accounts as soon as possible. The Board will also review the internal control procedures of the Group to prevent similar events to occur. The Company will also appoint a financial advisor to assist the Company in the investigation and make recommendations as soon as possible.

In any event, the Board believes the Incident will not disrupt the business and operation of the Group as the Company has continued to receive orders from its customers and has not noticed any drop in sales volume. The Company has also been assigned new products for development and production by its customers since the Incident.

In order to minimise any impact that the Incident may have on the Company, the Company is liaising with all of its customers, its major suppliers and bankers to ensure that they are fully aware that the business and operation of the Group will not be affected. The Board does not consider that the Incident would bring any immediate material adverse effect on the Group’s business, operations and financial condition.

The Company has cooperated fully with the Independent Commission Against Corruption in its enquiries and will closely monitor the situation. The Company will keep the shareholders informed of any further development which is material to the Group.

RESIGNATION

Mr. CHEUNG has confirmed that there is no disagreement between him and the Board and there are no matters that need to be brought to the attention of the holders of securities of the Company in relation to his resignation.

Mr. HUI has confirmed that there is no disagreement between him and the Board and there are no matters that need to be brought to the attention of the holders of securities of the Company in relation to his suspension of duties.

Mr. CHEUNG and Mr. HUI undertook to the Board and the Company that they would use their best endeavours to ensure a smooth handover of their existing responsibilities to the executive directors and senior management of the Company.

Mr. KUNG Ka Pang, an executive director of the Company, will assume the role of chief executive officer of the Company during Mr. HUI's suspension.

APPOINTMENT

Ms. CHEUNG Yan, Priscilla, aged 31, has been the chief operating officer of Sewco Toys & Novelty Limited ("Sewco Toys"), an indirect wholly-owned subsidiary of the Company since October 2004. Prior to that, she was an editor and reporter for an international news organisation in New York and Hong Kong. She holds a Master of Public Administration degree from the University of Hong Kong and Bachelor of Arts degree in journalism from the University of Connecticut in the United States.

Mr. CHEUNG Wang, aged 28, joined Sewco Toys in 2001 and is primarily responsible for the strategic planning, sales and marketing of the Group. He has a Bachelor of Arts degree in Architecture from UC Berkeley in the United States. Prior to joining Sewco Toys, he worked in the real estate development and education industries for over two years.

Ms. CHEUNG and Mr. CHEUNG Wang have not held any other directorships in any listed public companies in Hong Kong or any other countries in the last three years.

Other than acting as executive directors of the Company, Ms. CHEUNG is the chief operating officer of Sewco Toys and Mr. CHEUNG Wang is the business development executive of Sewco Toys.

Pursuant to the service contracts entered into between the Company and Ms. CHEUNG and Mr. CHEUNG Wang respectively, Ms. CHEUNG and Mr. CHEUNG Wang have been appointed for a term of 2 years commencing from 28th June 2005, subject to the retirement and re-election provisions under the bye-laws of the Company. Their emoluments specified in their service contracts are summarised below:—

- (1) They are entitled to receive a fixed salary of HK\$84,000 (for Ms. CHEUNG) and HK\$50,000 (for Mr. CHEUNG Wang) per month (inclusive of salary, commission but excluding housing reimbursement and allowances) payable on a thirteen (13) month basis. After each completed year of service, such remuneration may be adjusted at the sole and absolute discretion of the Board provided that the increase cannot be more than twenty (20) per cent. per annum;
- (2) For each completed year of service, both Ms. CHEUNG and Mr. CHEUNG Wang are entitled to a discretionary bonus as may be decided by the Board provided that the total amount of bonus payable to all the directors of the Company for such year shall not exceed twenty-five (25) per cent. of the audited combined/consolidated profit after taxation and minority interests but before the extraordinary and exceptional items and the payment of such bonus for the relevant year (the "Profit") and provided further that the Profit for such year exceeds HK\$20 million;
- (3) Ms. CHEUNG is also entitled to a fully furnished accommodation at a monthly rate of not more than HK\$52,000 and an allowance at a maximum monthly rate of HK\$23,000; and
- (4) Ms. CHEUNG and Mr. CHEUNG Wang are eligible to participate in any share option scheme from time to time adopted by the Company.

The above emoluments are determined by the Board by reference to the remuneration benchmark in the industry and the prevailing market conditions.

Ms. CHEUNG is the daughter of Mr. CHEUNG and the younger sister of Ms. CHEUNG Man, Catherine, an executive director of the Company. Mr. CHEUNG Wang is the nephew of Mr. CHEUNG. Ms. CHEUNG, Mr. CHEUNG Wang and Ms. CHEUNG Man, Catherine are cousins. Save as disclosed above, Ms. CHEUNG and Mr. CHEUNG Wang do not have any relationships with any other directors, senior management, substantial shareholders (as defined in Listing Rules), or controlling shareholders (as defined in Listing Rules) of the Company.

As at the date of this announcement, Ms. CHEUNG was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the Securities and Futures Ordinance.

As at the date of the announcement, Mr. CHEUNG Wang was interested in 8,000 shares and 2,800 warrants of the Company pursuant to Part XV of the Securities and Futures Ordinance.

Saved as disclosed above, there are no other matters concerning Ms. CHEUNG and Mr. CHEUNG Wang or their appointments that need to be brought to the attention of the holders of securities of the Company.

SUSPENSION OF TRADING OF SECURITIES

At the request of the Company, trading in the securities of the Company was suspended with effect from 2:30 p.m. on 20th June 2005 and will remain suspended pending review of the Group's accounts.

GENERAL

As at the date of this announcement, Ms. CHEUNG Yan, Priscilla, Ms. CHEUNG Man, Catherine, Mr. KUNG Ka Pang, Mr. HUI Kwok Chu and Mr. CHEUNG Wang are the executive directors of the Company and Mr. WONG Yam Fung, Mr. LAM Yu Lung and Mr. LAM Chin Fung are the independent non-executive directors of the Company.

On behalf of the Board
CHEUNG Man, Catherine
Executive Director

Hong Kong, 6 July 2005

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.