SEWCO INTERNATIONAL HOLDINGS LIMITED

崇高國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Sewco International Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007 as follows. The said interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		For the six months ended 30 June	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited & reclassified)
REVENUE	*3*	**400,694**	303,011
Cost of sales		**(381,142)**	(281,066)
Gross profit		**19,552**	21,945
Other income		**3,641**	1,385
Selling and distribution costs		**(18,924)**	(15,330)
Administrative expenses		**(33,679)**	(31,765)
Other operating income		**3,812**	4,205
Finance costs		**(1,452)**	(275)
Share of losses of associates		**(3,997)**	(729)
LOSS BEFORE TAX	*4*	**(31,047)**	(20,564)
Tax	*5*	**31**	(496)
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**(31,016)**	(21,060)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – basic	*6*	**(HK6.96 cents)**	(HK4.73 cents)

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2008

	Notes	**30 June 2008 HK$'000 (Unaudited)**	31 December 2007 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**174,540**	175,084
Deposit for items of property, plant and equipment		**2,015**	2,015
Prepaid land premiums		**9,951**	9,819
Interests in associates		**3,367**	7,366
Other intangible asset		**600**	600
Loan receivable		**485**	575
Total non-current assets		**190,958**	195,459
CURRENT ASSETS			
Inventories		**178,036**	155,412
Prepaid land premiums		**268**	259
Trade receivables	*7*	**125,150**	154,292
Prepayments, deposits and other receivables		**14,392**	9,610
Loan receivable		**180**	180
Cash and cash equivalents		**13,829**	31,796
Total current assets		**331,855**	351,549
CURRENT LIABILITIES			
Trade payables	*8*	**188,099**	214,855
Other payables and accruals		**47,147**	39,260
Derivative financial instruments	*9*	**2,123**	2,195
Interest-bearing bank loans		**59,938**	34,281
Tax payable		**901**	5,278
Total current liabilities		**298,208**	295,869
NET CURRENT ASSETS		**33,647**	55,680
TOTAL ASSETS LESS CURRENT LIABILITIES		**224,605**	251,139
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**4,017**	5,485
Deferred tax liabilities		**1,662**	1,553
Total non-current liabilities		**5,679**	7,038
Net assets		**218,926**	244,101

	Notes	30 June 2008 HK$'000 (Unaudited)	31 December 2007 HK$'000 (Audited)
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Issued capital		**44,543**	44,543
Reserves		**174,383**	199,558
Total equity		**218,926**	244,101

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No. 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The basis of preparation and accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2007 except as described in note 2 below.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

2. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) that are effective for accounting periods beginning on or after 1 January 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs has no material impact on the condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group has commenced an assessment of the impact of these new standards and interpretations but is not yet in a position to state whether they would significantly impact its results of operations and financial position.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segments; and (ii) on a secondary segment reporting basis, by geographical segments.

The Group manufactured and traded mainly hard toy products, stuffed toy products and non-toy private label products. Turnover, income, cost and expenses were grouped according to these business segments. Unallocated income, cost and expenses were grouped under the corporate segment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the Group's markets and customers. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents the Group's revenue and profit/(loss) information regarding business segments for the six months ended 30 June 2008 and 2007.

	Hard toys		Stuffed toys		Non-toys		Corporate		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:												
Sales to external customers	**371,336**	266,819	**29,208**	36,192	**150**	–	**–**	–	**–**	–	**400,694**	303,011
Other revenue from external sources#	**2,427**	943	**92**	219	**–**	–	**–**	–	**–**	–	**2,519**	1,162
Intersegment revenue	**616**	300	**–**	–	**–**	–	**–**	–	**(616)**	(300)	**–**	–
Total	**374,379**	268,062	**29,300**	36,411	**150**	–	**–**	–	**(616)**	(300)	**403,213**	304,173
Segment results	**(20,612)**	(14,602)	**(2,004)**	(2,850)	**(5,457)**	(4,495)	**2,357**	2,149	**–**	–	**(25,716)**	(19,798)
Interest income											**118**	238
Finance costs											**(1,452)**	(275)
Share of losses of associates											**(3,997)**	(729)
Loss before tax											**(31,047)**	(20,564)
Tax											**31**	(496)
Loss for the period attributable to ordinary equity holders of the parent											**(31,016)**	(21,060)

(b) Geographical segments

The following table presents the Group's revenue information regarding geographical segments for the six months ended 30 June 2008 and 2007.

	USA and Canada		Japan and others		Hong Kong and Mainland China		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:								
Sales to external customers	**324,453**	234,303	**67,525**	60,875	**8,716**	7,833	**400,694**	303,011
Other revenue#	**234**	60	**427**	250	**1,858**	852	**2,519**	1,162
Total	**324,687**	234,363	**67,952**	61,125	**10,574**	8,685	**403,213**	304,173

Certain figures in the last period have been reclassified to conform with current period's presentation.

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**376,912**	269,512
Provision for obsolete inventories	**4,230**	11,554
Depreciation##	**5,853**	5,504
Recognition of prepaid land premiums	**134**	124
Interest income	**(118)**	(238)
Gain on disposal of quoted investment	**–**	(11)
Gain on disposal of items of property, plant and equipment, net	**–**	(25)
Fair value gain (net) on derivative financial instruments	**(2,195)**	(2,541)

Depreciation of HK$2,566,000 (2007: HK$2,324,000) was also included in "Cost of inventories sold".

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

The provision for income tax of a subsidiary operating in Mainland China has been calculated at the applicable rate of tax prevailing in the areas in which that subsidiary operates, based on existing legislation, interpretations and practices in respect thereof, during the period.

	For the six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong	**17**	16
– Mainland China	**922**	460
(Overprovision)/Underprovision in prior years – Hong Kong	**(1,087)**	20
	(148)	496
Deferred income tax		
– Mainland China	**117**	–
Total tax (credit)/charge for the period	**(31)**	496

6. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share for the six months ended 30 June 2008 is based on the loss attributable to ordinary equity holders of the parent for the period of HK$31,016,000 (2007: HK$21,060,000) and the weighted average of 445,430,000 ordinary shares in issue during the period (2007: 445,430,000 shares). A diluted loss per share was not disclosed as there was no diluting factor during the two periods.

7. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, and the credit periods generally range from 14 to 90 days. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables from the sale of goods as at the balance sheet date, based on invoice date, is as follows:

	30 June 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Current to 30 days	**91,455**	78,724
31 to 90 days	**30,284**	60,799
Over 90 days	**3,411**	14,769
	125,150	154,292

8. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Current to 30 days	**101,243**	103,060
31 to 90 days	**57,917**	88,260
Over 90 days	**28,939**	23,535
	188,099	214,855

The trade payables are non-interest-bearing.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Forward currency contracts		
– held for trading	**–**	2,195
– cash flow hedges	**2,123**	–
	2,123	2,195

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 30 June 2008 increased by 32% to HK$400,694,000. Gross profit for the same period dropped to HK$19,552,000 (2007: HK$21,945,000). The significant drop in gross profit was mainly a result of the new labour laws implemented in Mainland China in January 2008 and the minimum wages increase in Zhongshan beginning from April 2008. These changes increased our costs by approximately HK$19,000,000 for the first half of 2008. The Group was able to recover only some of these cost increases through price increases during the period.

For the six months ended 30 June 2008, selling and distribution costs increased to HK$18,924,000 (2007: HK$15,330,000) and administrative expenses increased to HK$33,679,000 (2007: HK$31,765,000). These increases were mainly due to the growth in turnover.

Business of our associated companies is seasonal with more sales and better performance normally achieved in the second half of the year. Sales and margins of our associated companies were affected by the slowdown in the U.S. economy for the first half of 2008. The Group's share of losses from the associates increased to HK$3,997,000 (2007: HK$729,000) accordingly.

As a result, the Group incurred a loss attributable to ordinary equity holders of HK$31,016,000 for the six months ended 30 June 2008 (2007: HK$21,060,000).

The Group finances its operations through a combination of bank financing and shareholders' equity. As at 30 June 2008, cash and cash equivalents amounted to HK$13,829,000 (31 December 2007: HK$31,796,000), and bank borrowings amounted to HK$63,955,000 (31 December 2007: HK$39,766,000). Decrease in cash and cash equivalents and increase in bank borrowings were in line with the Group's business seasonality.

As at 30 June 2008, the Group's net current assets amounted to HK$33,647,000 (31 December 2007: HK$55,680,000), comprising current assets of HK$331,855,000 (31 December 2007: HK$351,549,000) and current liabilities of HK$298,208,000 (31 December 2007: HK$295,869,000), representing a current ratio of 1.11 (31 December 2007: 1.19).

The Group strives to maintain its gearing ratio below 75% and its current ratio to approximately 1 so as to enhance its ability to meet its liquidity and operational risks. The gearing ratio (defined as net debt divided by capital and net debt) as at 30 June 2008 was calculated as follows:

	As at 30 June 2008 *HK$'000*	As at 31 December 2007 *HK$'000*
Interest-bearing bank loans	**63,955**	39,766
Trade payables	**188,099**	214,855
Other payables and accruals	**47,147**	39,260
Less: Cash and cash equivalents	**(13,829)**	(31,796)
Net Debt	**285,372**	262,085
Equity attributable to ordinary equity holders	**218,926**	244,101
Capital and net debt	**504,298**	506,186
Gearing ratio	**57%**	52%

The Group faces significant impact from exchange fluctuations of Renminbi ("RMB") and has started to hedge its exposure through forward exchange contracts since early 2008. The Group will also consider hedging its exposure to fluctuations in interest rates when the impact is expected to be significant.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

Business Review and Prospects

The operating environment for toy manufacturers in Mainland China continued to deteriorate in the first half of 2008. In the first quarter, appreciation of RMB continued at a faster clip than previously forecast, while material costs rose sharply due to hikes in global oil and commodity prices. The weakening U.S. dollar further eroded profitability. The implementation of new labour laws in Mainland China in January 2008 added overhead costs and operational risks. Meanwhile, testing costs and associated operating costs also rose tremendously after new safety requirements were put in place in Mainland China, the United States and Europe in the aftermath of global toy recalls by a major toy brand in 2007. The Group had to write off some inventories that no longer met the new standards.

The rest of 2008 will remain challenging for toy manufacturers as the global economy slows and exports to the United States shrink. Testing costs are expected to climb further as new laws are implemented in the United States. The Group expects its third-quarter sales to remain strong, but plans to scale down production aggressively in the fourth quarter as a way to control operating costs and margins. The Group will endeavor to trim overheads significantly, improve productivity and control production costs as the toy industry rides out the storm.

Globally, the toy industry is expecting a difficult year ahead as the global economy cools and demand for non-essential items like toys falls. In view of the current economic situation, the Group decided to put on hold a direct-to-market private label business that started in late 2006, but will continue to seek opportunity to leverage its strengths in product development and manufacturing and explore new markets.

Contingent Liabilities

(a) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$754,000 as at 30 June 2008 (31 December 2007: HK$706,000). The contingent liability has arisen at the balance sheet date as a number of current employees have achieved the required number of years of service to the Group, and will be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

(b) At the balance sheet date, the Company had provided corporate guarantee of HK$115,100,000 (31 December 2007: HK$115,100,000) to a bank in respect of banking facilities granted to its subsidiaries. As at 30 June 2008, banking facilities amounting to HK$21,350,000 (31 December 2007: HK$23,747,000) were utilized by the subsidiaries.

Charge on Assets

As at 30 June 2008, certain of the Group's leasehold land and buildings with a net book value of HK$143,588,000 (31 December 2007: HK$46,055,000) were pledged to secure general banking facilities granted to the Group. As at 30 June 2008, such facilities were utilized up to an amount of HK$63,955,000 (31 December 2007: HK$39,766,000).

Employees

As at 30 June 2008, the Group had a total of approximately 13,200 (31 December 2007: 11,400) employees in Hong Kong and Mainland China. The Group provides remuneration packages to employees largely based on industry practice, individual performance, qualifications and experience. In addition, discretionary bonuses and share options under the Company's share option scheme may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides subsidies to staff for external training in order to enhance the Group's competitiveness.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company recognizes the importance of maintaining a high standard of corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

DIRECTORS OF THE COMPANY

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Ms CHEUNG Yan, Priscilla *(Chairman)*
Ms CHEUNG Man, Catherine
Mr KUNG Ka Pang *(Chief Executive Officer)*
Mr HA Jimmy N. T.

Independent Non-executive Directors:
Ms Cynthia LAW
Mr LAM Chin Fung
Mr TSE Wei Kin

By Order of the Board
CHEUNG Yan, Priscilla
Chairman

Hong Kong, 25 September 2008

* *For identification purposes only*