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 2009

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 2009 together with the comparative figures for the corresponding period in 2008 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 2009

		For the six months ended 30 June	
	Notes	**2009** ***HK$'000*** **(Unaudited)**	2008 *HK$'000* (Unaudited)
REVENUE	*3*	**146,141**	400,694
Cost of sales		**(124,652)**	(381,142)
Gross profit		**21,489**	19,552
Other income		**4,461**	3,641
Selling and distribution costs		**(4,813)**	(18,924)
Administrative expenses		**(18,763)**	(33,679)
Other operating income		**350**	3,812
Finance costs		**(1,678)**	(1,452)
Share of losses of associates		**–**	(3,997)
PROFIT/(LOSS) BEFORE TAX	*4*	**1,046**	(31,047)
Tax	*5*	**(228)**	31
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**818**	(31,016)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – basic	*6*	**HK0.18 cent**	(HK6.96 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**818**	(31,016)
Other comprehensive income/(loss):		
Exchange differences on translating foreign operations	**59**	7,964
Cash flow hedges	**–**	(2,123)
Income tax relating to components of other comprehensive income	**–**	–
Other comprehensive income, net of tax	**59**	5,841
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**877**	(25,175)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**164,291**	168,909
Deposit for items of property, plant and equipment		**2,232**	2,015
Prepaid land premiums		**9,667**	9,805
Interests in associates		**–**	–
Other intangible asset		**600**	600
Loan receivable		**305**	395
Total non-current assets		**177,095**	181,724
CURRENT ASSETS			
Inventories		**80,147**	103,706
Prepaid land premiums		**270**	265
Trade receivables	*7*	**36,492**	60,034
Prepayments, deposits and other receivables		**5,599**	16,617
Loan receivable		**180**	180
Cash and cash equivalents		**32,291**	21,447
Total current assets		**154,979**	202,249
CURRENT LIABILITIES			
Trade payables	*8*	**50,640**	97,673
Other payables and accruals		**28,729**	35,937
Derivative financial instruments	*9*	**–**	349
Interest-bearing bank loans		**81,827**	79,412
Tax payable		**887**	1,512
Total current liabilities		**162,083**	214,883
NET CURRENT LIABILITIES		**(7,104)**	(12,634)
TOTAL ASSETS LESS CURRENT LIABILITIES		**169,991**	169,090
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,843**	1,819
Total non-current liabilities		**1,843**	1,819
Net assets		**168,148**	167,271

	Notes	30 June 2009 HK$'000 (Unaudited)	31 December 2008 HK$'000 (Audited)
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Issued capital		**44,543**	44,543
Reserves		**123,605**	122,728
Total equity		**168,148**	167,271

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These 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 to 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 these 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 2008 except as described in note 2 below.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

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 2009:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*

The adoption of the new HKFRSs has no material impact on these condensed consolidated financial statements except that the adoption of HKFRS 8 and HKAS 1 (Revised) resulted in new or amended disclosures. 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

(a) Revenue by Operating Segments

The Group has only one reportable segment engaged in the manufacture and trading of toys. Revenue and profit before tax are the two key indicators provided to the Group's chief operating decision maker to make decisions about resources allocation and assess performance. The following table presents the Group's revenue regarding the reportable segment for the six months ended 30 June 2009 and 2008.

	Consolidated	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from the manufacture and trading of toys:		
Sales to external customers	**146,141**	400,694

(b) Revenue by Geographical Locations

The Group attributed its revenue to the location of its customers. The following table presents the Group's revenue information regarding geographical segments for the six months ended 30 June 2009 and 2008.

	USA and Canada		Japan and others		Hong Kong and Mainland China		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from the manufacture and trading of toys:								
Sales to external customers	**100,843**	324,453	**43,939**	67,525	**1,359**	8,716	**146,141**	400,694

(c) Revenue by Major Customers

The following table presents the Group's revenue information by major customers for the six months ended 30 June 2009 and 2008.

	Consolidated	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
First largest customer	**62,524**	163,735
Second largest customer	**43,871**	134,283
Third largest customer	**35,393**	65,703
Other**	**4,353**	36,973
Total	**146,141**	400,694

** These include sum of all other customers who accounted for less than 10% of total revenue individually.

(d) Non-current Assets by Geographical Locations

The Group's non-current assets of HK$177,095,000 at 30 June 2009 and HK$181,724,000 at 31 December 2008 were both situated in the Hong Kong and Mainland China region.

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**117,115**	376,912
Provision for obsolete inventories	**7,537**	4,230
Depreciation***	**5,562**	5,853
Recognition of prepaid land premiums	**135**	134
Loss on disposal of items of property, plant and equipment, net	**55**	–
Interest income	**(28)**	(118)
Fair value gain (net) on derivative financial instruments	**(349)**	(2,195)

*** Depreciation of HK$2,271,000 (2008: HK$2,566,000) was also included in "Cost of inventories sold".

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong	**15**	17
– Mainland China	**189**	922
Overprovision in prior years – Hong Kong	**–**	(1,087)
	204	(148)
Deferred income tax		
– Mainland China	**24**	117
Total tax charge/(credit) for the period	**228**	(31)

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to ordinary equity holders of the parent for the period of HK$818,000 (2008: loss attributable to ordinary equity holders of the parent of HK$31,016,000) and the weighted average of 445,430,000 ordinary shares in issue during the period (2008: 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

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Trade receivables	**51,476**	75,018
Impairment	**(14,984)**	(14,984)
	36,492	60,034

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.

Included in the Group's trade receivables is an amount due from an associate of HK$14,984,000 (31 December 2008: HK$14,984,000), which is repayable on similar credit terms to those offered to the major customers of the Group. The amount due from the associate is not expected to be recovered and provision for impairment of HK$14,984,000 (31 December 2008: HK$14,984,000) has been made. The associate has been in the process of creditors' voluntary liquidation since 28 April 2009.

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

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Current to 30 days	**26,714**	41,328
31 to 90 days	**6,461**	16,163
Over 90 days	**3,317**	2,543
	36,492	60,034

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 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Current to 30 days	**24,503**	34,466
31 to 90 days	**16,387**	39,210
Over 90 days	**9,750**	23,997
	50,640	97,673

The trade payables are non-interest-bearing.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2009 *HK$'000* **(Unaudited)**	31 December 2008 *HK$'000* (Audited)
Forward currency contracts		
– held for trading	**–**	349

10. POST BALANCE SHEET EVENTS

On 20 August 2009, the Company entered into (i) a placing agreement with Taifook Securities Company Limited and (ii) a subscription agreement with Right Perfect Limited, for the proposed issue of convertible bonds in an aggregate principal amount of up to HK$250,000,000, convertible into up to 657,894,736 shares of HK$0.10 each of the Company at the initial conversion price of HK$0.38 per share. As a condition precedent to the issue of such convertible bonds, it is proposed to increase the authorised share capital of the Company from HK$100,000,000 divided into 1,000,000,000 shares of HK$0.10 each to HK$700,000,000 divided into 7,000,000,000 shares of HK$0.10 each. A special general meeting will be held to seek shareholders' approval on, among other things, the proposed issue of the convertible bonds and increase in authorised share capital.

On 26 August 2009, Right Perfect Limited became the controlling shareholder of the Company as a result of its acquisition of 300,000,000 shares of the Company. Taifook Securities Company Limited is making a mandatory unconditional cash offer on behalf of Right Perfect Limited for all the issued share capital of the Company (including the new shares issued on 11 September 2009) other than those already owned or agreed to be acquired by Right Perfect Limited and parties acting in concert with it, pursuant to Rule 26.1 of the Code on Takeovers and Mergers. The offer document, together with the form of acceptance, have been despatched to the shareholders of the Company. The Board is preparing an offeree board circular in response to the offer document, which is expected to be despatched to the Company's shareholders on or before 28 September 2009.

On 11 September 2009, the Company issued 89,084,000 shares of HK$0.10 each pursuant to a placing agreement dated 1 September 2009 entered into between the Company and Get Nice Securities Limited, raising net proceeds of approximately HK$42.6 million. The Company plans to use such net proceeds for general working capital and opportunistic investments if suitable opportunities to do so arise in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 30 June 2009 dropped by 64% to HK$146,141,000. Gross profit for the same period increased to HK$21,489,000 (2008: HK$19,552,000). Despite a significant drop in turnover, the Group was able to maintain a healthy gross profit margin due to better control of overheads, drop in raw material prices and the increase in export tax refund rate in Mainland China from 11% to 14% since November 2008.

For the six months ended 30 June 2009, selling and distribution costs dropped to HK$4,813,000 (2008: HK$18,924,000) and administrative expenses dropped to HK$18,763,000 (2008: HK$33,679,000). The drop in expenses was the result of a drop in turnover and significant reduction of costs at the end of 2008.

The Group's associated companies are in the process of creditors' voluntary liquidation and the Group's investments in the associated companies had been fully impaired in 2008. Therefore there was no share of losses of associates this year.

As a result, the Group achieved a profit attributable to ordinary equity holders of HK$818,000 for the six months ended 30 June 2009 (2008: loss of HK$31,016,000).

As at 30 June 2009, cash and cash equivalents amounted to HK$32,291,000 (31 December 2008: HK$21,447,000) and bank borrowings amounted to HK$81,827,000 (31 December 2008: HK$79,412,000). As at 30 June 2009, the Group's net current liabilities amounted to HK$7,104,000 (31 December 2008: HK$12,634,000), comprising current assets of HK$154,979,000 (31 December 2008: HK$202,249,000) and current liabilities of HK$162,083,000 (31 December 2008: HK$214,883,000), and representing a current ratio of 0.96 (31 December 2008: 0.94). The drop in current assets and current liabilities mainly resulted from the drop in business activities in the first half of 2009.

The Group finances its operations through a combination of bank financing and shareholders' equity. 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 2009 was calculated as follows:

	As at 30 June 2009 *HK$'000*	As at 31 December 2008 *HK$'000*
Interest-bearing bank loans	**81,827**	79,412
Trade payables	**50,640**	97,673
Other payables and accruals	**28,729**	35,937
Less: Cash and cash equivalents	**(32,291)**	(21,447)
Net debt	**128,905**	191,575
Equity attributable to ordinary equity holders	**168,148**	167,271
Capital and net debt	**297,053**	358,846
Gearing ratio	**43%**	53%

The Group faces significant risk from exchange fluctuations of Renminbi ("RMB") and will begin to hedge its exposure through forward exchange contracts when the fluctuations are expected to be significant. 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 2009 (2008: Nil).

Business Review and Prospects

The Group was successful in turning the business around following two years of heavy losses, thanks to aggressive efforts that began in late 2008 to control costs, reduce inventories and improve operational efficiency. The Group's margins were also helped by significantly lower material costs and a freeze in the increase in labour costs and the appreciation of RMB against the US dollar amid the global economic downturn. Even though turnover dropped significantly, the Group swung from a full-year loss of HK$84,274,000 in 2008 to a modest profit of HK$818,000 for the six months ended 30 June 2009.

Looking ahead, turnover is expected to rise in the third quarter but slow down in the fourth quarter and the first half of 2010 as retailers remain cautious over consumer confidence and the pace of economic recovery. The Group is optimistic that sales will rise in 2010 as economic recovery gathers pace.

The Group sees unique opportunities to consolidate its position as a premier toy manufacturer as the toy industry continues to evolve in the aftermath of the Mattel Inc.'s global toy recalls in 2007. The global industry has become more regulated than ever following the recalls, with the US government and major retailers imposing ever-more stringent quality standards. These developments favour larger, reputable manufacturers as the new requirements, coupled with the financial downturn that dried up credit and sales, wiped out smaller manufacturers in Mainland China and buyers seek to reduce risk by consolidating their vendor base.

With this in mind, the Group will continue to invest in quality and plan to expand its internal laboratory to test for heavy and toxic elements due to continuous demands from new and enhanced regulations. It has applied for certification by the Chinese government safety agency. Meanwhile, the Group will continue to upgrade its equipment and facilities to improve efficiency and ensure compliance with current safety and environmental standards.

It is the Group's belief that continuous investment in facilities is key to success and sustainability in the manufacturing industry. The Group is evaluating the options of rebuilding a section of its manufacturing site in Zhongshan into modern multi-storey production facilities, or finding a new location outside the Guangdong province that can offer more competitive labour costs.

In relation to the above, the Company entered into the placing and subscription agreements of convertible bonds and placed new shares, as described in note 10 to the unaudited condensed consolidated interim financial statements headed "Post Balance Sheet Events", to improve its working capital, finance its capacity expansion and other assets replacements, and any opportunistic investments that may arise in the future.

Contingent Liabilities

At the balance sheet date, the Company had provided corporate guarantee of HK$22,700,000 (31 December 2008: HK$115,100,000) to a bank in respect of banking facilities granted to its subsidiaries. As at 30 June 2009, banking facilities amounting to HK$13,220,000 (31 December 2008: HK$19,696,000) were utilized by the subsidiaries.

Charge on Assets

As at 30 June 2009, certain of the Group's leasehold land and buildings with a net book value of HK$141,294,000 (31 December 2008: HK$143,220,000) were pledged to secure general banking facilities granted to the Group.

Employees

As at 30 June 2009, the Group had a total of approximately 5,900 (31 December 2008: 8,500) 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 to 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 HUI Kwok Chu *(Chief Executive Officer)*
Mr SHAM Lok Shing, Edward

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, 21 September 2009

* *For identification purposes only*