SEWCO INTERNATIONAL HOLDINGS LIMITED
崇高國際控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 209)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 together with the comparative figures for the corresponding period in 2009. The interim results for the six months ended 30 June 2010 have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2010

	Notes	**For the six months ended 30 June 2010** *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited)
REVENUE	*3*	**119,218**	146,141
Cost of sales		**(104,840)**	(124,652)
Gross profit		**14,378**	21,489
Other income		**3,813**	4,461
Selling and distribution costs		**(4,780)**	(4,813)
Administrative expenses		**(22,997)**	(18,763)
Other operating (expenses)/income, net		**(82)**	350
Finance costs		**(2,261)**	(1,678)
(LOSS)/PROFIT BEFORE TAX	*4*	**(11,929)**	1,046
Income tax expenses	*5*	**(288)**	(228)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(12,217)**	818
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY – basic	*6*	**(HK1.24 cents)**	HK0.18 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(12,217)**	818
Other comprehensive income:		
Exchange differences on translating foreign operations	**1,346**	59
Income tax effect	**–**	–
Other comprehensive income for the period, net of tax	**1,346**	59
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(10,871)**	877

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**As at 30 June 2010 HK$'000 (Unaudited)**	As at 31 December 2009 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**159,513**	158,037
Deposit for items of property, plant and equipment		**581**	1,646
Prepaid land premiums		**9,444**	9,541
Interests in associates		**–**	–
Other intangible asset		**450**	450
Loan receivable		**125**	215
Total non-current assets		**170,113**	169,889
CURRENT ASSETS			
Inventories		**92,339**	36,761
Property held for sale		**–**	4,400
Prepaid land premiums		**267**	266
Trade receivables	7	**36,464**	31,969
Prepayments, deposits and other receivables		**5,348**	5,773
Loan receivable		**180**	180
Cash and cash equivalents		**386,337**	62,207
Total current assets		**520,935**	141,556
CURRENT LIABILITIES			
Trade payables	8	**60,562**	33,801
Other payables and accruals		**32,145**	36,137
Interest-bearing bank loans		**61,386**	45,387
Tax payable		**1,596**	1,775
Total current liabilities		**155,689**	117,100
NET CURRENT ASSETS		**365,246**	24,456
TOTAL ASSETS LESS CURRENT LIABILITIES		**535,359**	194,345
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,735**	1,702
Total non-current liabilities		**1,735**	1,702
Net assets		**533,624**	192,643
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued capital		**129,841**	53,451
Reserves		**403,783**	139,192
Total equity		**533,624**	192,643

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 2009 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 2009.

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 2010:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share- based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4 (Revised in December 2009)	Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in these financial statements. 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. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable segment, which is the manufacturing and trading of toys. Revenue and operating results are the two key indicators provided to the Group's chief operating decision maker to make decisions about resource allocation and assess performance.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The United States of America and Canada	**100,538**	100,843
Japan	**13,995**	43,939
Hong Kong and Mainland China	**4,685**	1,359
	119,218	146,141

The revenue information above is based on the location of the customers.

(b) Non-current assets

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**16,053**	18,952
Mainland China	**154,060**	150,937
	170,113	169,889

The non-current asset information above is based on the location of assets.

Information about major customers

	For the six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The largest customer	**87,517**	62,524
Second largest customer	**13,416**	43,871
Third largest customer	**6,957**	35,393
Other*	**11,328**	4,353
Total	**119,218**	146,141

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

4. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**104,088**	117,115
Provision for obsolete inventories	**752**	7,537
Depreciation*	**5,244**	5,562
Recognition of prepaid land premiums	**135**	135
Loss on disposal of items of property, plant and equipment, net	**82**	55
Gain on disposal of property held for sale	**1,654**	–
Interest income	**(280)**	(28)
Fair value gain:		
Derivative instruments – transactions not qualifying as hedges**	**–**	(349)

* Depreciation of HK$1,824,000 (2009: HK$2,271,000) was also included in "Cost of inventories sold".

** This item is included in "Other operating income" in the consolidated income statement.

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	For the six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong	**20**	15
Current – Mainland China	**236**	189
Deferred tax	**32**	24
Total tax charge for the period	**288**	228

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

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of HK$12,217,000 (2009: profit attributable to ordinary equity holders of the Company of HK$818,000) and the weighted average number of ordinary shares of 982,322,080 (2009: 445,430,000) in issue during the period, as adjusted to reflect the shares issued during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the periods ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

7. TRADE RECEIVABLES

	30 June 2010 *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
Trade receivables	**51,411**	46,953
Impairment	**(14,947)**	(14,984)
	36,464	31,969

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 14 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables is an amount due from an associate of HK$14,947,000 (31 December 2009: 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$14,947,000 (31 December 2009: 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 as at the end of the reporting period, based on invoice date and net of provision, is as follows:

	30 June 2010 *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
Within 30 days	**32,914**	22,631
31 to 90 days	**2,653**	9,338
Over 90 days	**897**	–
	36,464	31,969

8. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2010 *HK$'000* **(Unaudited)**	31 December 2009 *HK$'000* (Audited)
Current to 30 days	**38,982**	14,842
31 to 90 days	**17,361**	9,857
Over 90 days	**4,219**	9,102
	60,562	33,801

The trade payables are non-interest-bearing and normally offered with 30 to 60 days' credit terms.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the six months ended 30 June 2010 dropped by 18.4% to HK$119,218,000 (2009: HK$146,141,000). The decline in the Group's revenue was mainly due to the lowered demand from a major customer in Japan during the first half of 2010. Gross profit dropped by 33.1% to HK$14,378,000 (2009: HK$21,489,000) whereas gross profit margin dropped from 14.7% to 12.1% on sales. The decrease in the Group's gross profit margin was primarily due to increase in direct labour costs as a result of the increase of the government mandated minimum monthly wages in the People's Republic of China (the "PRC"). The Group's selling and distribution costs decreased slightly by 0.7% to HK$4,780,000 (2009: HK$4,813,000) whilst administrative expenses increased by 22.6% to HK$22,997,000 (2009: HK$18,763,000). Such increase was mainly due to additional employees hired to cope with the Group's business expansion and diversification plan. As a whole, the Group incurred a loss attributable to ordinary equity holders of HK$12,217,000 for the six months ended 30 June 2010 (2009: profit of HK$818,000), representing a loss per share of HK1.24 cents (2009: earnings per share of HK0.18 cent).

As at 30 June 2010, cash and cash equivalents amounted to HK$386,337,000 (31 December 2009: HK$62,207,000) and bank borrowings amounted to HK$61,386,000 (31 December 2009: HK$45,387,000). As at 30 June 2010, the Group's net current assets amounted to HK$365,246,000 (31 December 2009: HK$24,456,000), comprising current assets of HK$520,935,000 (31 December 2009: HK$141,556,000) and current liabilities of HK$155,689,000 (31 December 2009: HK$117,100,000), and representing a current ratio of 3.35 (31 December 2009: 1.21). The improvement in current ratio was mainly resulted from the issuance of 106,000,000 new shares in March 2010, which resulted in gross proceeds of approximately HK$106 million being raised, and issuance and conversion of convertible bonds with aggregate principal amount of HK$250 million (which resulted in issuance 657,894,729 new shares) during the six months ended 30 June 2010.

As at 30 June 2010, the Group's inventories increased by 1.5 times to HK$92,339,000 as compared to the balance at last year end due to seasonal factors (31 December 2009: HK$36,761,000), which when compared to the Group's inventories at 30 June 2009 of HK$80,147,000, the Group's inventories level was only increased by 15.2%.

The Group finances its operations through a combination of bank financing and shareholders' equity. The Group aims 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 2010 is calculated as follows:

	As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*
Interest-bearing bank loans	**61,386**	45,387
Trade payables	**60,562**	33,801
Other payables and accruals	**32,145**	36,137
Less: Cash and cash equivalents	**(386,337)**	(62,207)
Net (cash)/debt	**(232,244)**	53,118
Equity attributable to equity holders of the Company	**533,624**	192,643
Capital and net debt	**N/A**	245,761
Gearing ratio	**N/A**	22%

The gearing ratio of the Group as at 30 June 2010 is not presented as the Group was in net cash position. The Group's total equity was HK$533,624,000 at 30 June 2010, increased by 1.8 times when compared to last year end (31 December 2009: HK$192,643,000) which was mainly a result of proceeds raised by issuance of about 763.8 million new shares through shares placing and conversion of convertible bonds issued.

The Group faces risk from exchange fluctuations of Renminbi and had hedged its exposures partially through forward exchange contracts. As at 30 June 2010, values of these forward exchange contracts were not significant and therefore not stated in the balance sheet. The Group will also consider hedging its exposures to fluctuations in interest rates when there is a need to raise significant debts.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

BUSINESS REVIEW AND PROSPECTS

The Group recorded losses for the six months ended 30 June 2010 was mainly a result of (i) the decline in the Group's revenue mainly due to lowered demand from a major customer in Japan for the first half of 2010; (ii) the decrease of the Group's gross profit margin primarily due to increase in direct labour costs as a result of the increase of the government mandated minimum monthly wages in the Guangdong Province; and (iii) the increase in the Group's administrative expenses mainly due to additional employees hired to cope with the business expansion and diversification plan of the Group.

Notwithstanding of the lowered demand from a major customer in Japan during the period under review, the Group has entered into business with several new customers, including two that are among the world's top 10 by sales. After a rather slow start for the first six months, turnover is expected to increase in the second half of 2010.

In May 2010, government authorities in Guangdong Province announced an approximately 20% increase on government mandated minimum monthly wages. As labor costs are key elements of the Group's production costs, such higher than expected increase of minimum monthly wages has dragged down the Group's gross margin in the first half of 2010. Moreover, in order to maintain the Group's gross margin which has been eroded by sharp increase in labor costs, the sales team of the Group has been taking active action to negotiate with major customers for corresponding increases in products selling price.

With the mindset to position the Group as a premier toy manufacturer and backed by proceeds raised by fund raising exercises conducted by the Group during the review period, the Group has made considerable investments in order to strengthen its competitive position in the industry. A key investment made was the expansion of the Group's on-site chemical laboratory completed in July 2010. The expansion of the laboratory has significantly increased the Group's testing capabilities, strengthened its market competitiveness and helped to cut down external laboratory testing expenses. In addition, the Group has also expanded its injection molding facilities and refurbished some of the aging production facilities.

Despite the loss incurred by the Group during the review period, the Group's financial position remains sound and that the Group has sufficient financial resources to meet its ongoing operational requirements. In addition, the Board considers that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In view of (i) the increase in urban population and disposable income in the PRC; (ii) rapid development of chain stores in the PRC which made the juice products more affordable and accessible; and (iii) that the Board is optimistic about the outlook of the beverage industry in the PRC, accordingly, on 15 July 2010, Alliance Winner Limited, an indirectly wholly-owned subsidiary of the Company, entered into a conditional acquisition agreement (the "Acquisition Agreement") with Charter Metro Limited to acquire 82.3% equity interest in Tycoon Beverage Group Co. Ltd. ("Tycoon Beverage") at a consideration of HK$390 million. Tycoon Beverage indirectly holds 100% equity interest in Daheng (Tianjin) Foods Industry Company Limited which is currently engaged in trading and distribution of drink products under the brand of "大亨" (Daheng) in the PRC.

On 23 August 2010, a special general meeting was held and an ordinary resolution to approve the Acquisition Agreement and transactions contemplated thereunder was passed. Completion of the Acquisition Agreement shall take place on the third business day after the fulfillment or waiver of all the conditions precedent stated therein the Acquisition Agreement or such other date as the parties shall agree in writing, which in any event, shall be on or before 31 December 2010. Details of the acquisition are contained in announcement of the Company dated 15 July 2010 and circular of the Company dated 5 August 2010.

The Board considers that the acquisition of Tycoon Beverage will provide an opportunity for the Group to gain access to the beverage industry in the PRC with an aim to broaden the income base of the Group, and thereby enhancing the Group's future financial performance and profitability. It is also the intention of the Company to continue its existing businesses depending on the then business environment and prospects.

On 24 August 2010, the Company announced a top-up placing of 238 million shares at a placing price of HK$1.00 per share. The Company presently intends to use the proceeds from the top-up placing to replenish the working capital of the Group and for opportunistic investments if suitable opportunities do so arise in the future, as most of the Group's existing working capital is intended to be used to finance the future operation of Tycoon Beverage.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The Company recognises 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.

By Order of the Board
Lo Ming Chi, Charles
Chief Executive Officer

Hong Kong, 25 August 2010

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Sue Ka Lok (Chairman); three Executive Directors, namely Mr. Lo Ming Chi, Charles (Chief Executive Officer), Ms. Chan Yuk Yee and Ms. Wang Jingyu; and three Independent Non-executive Directors, namely Mr. Kwok Ming Fai, Mr. Wong Kwok Tai and Ms. Leung Pik Har, Christine.

* *For identification purpose only*