

**SEWCO INTERNATIONAL HOLDINGS LTD :
THE TOY EMPIRE OF A SELF-MADE MAN : MR CHEUNG PO LUN**

Considering that Sewco International Holdings Ltd is more than 22 years old, it would appear that it has not made much headway in the profits' stakes and, in fact, it could be said that it is only a subcontractor to 3 US importers.

Sewco International is a manufacturer of toys, which sought, and obtained, a listing on the Main Board of The Stock Exchange of Hongkong Ltd on February 22, 2002, when it Placed 70 million, 10-cent shares at a Premium of 45 cents per share, Offered another tranche of 10 million shares on the same basis, and the Chairman, Mr Cheung Po Lun, took the opportunity to sell 20 million of his shares, also on the same basis as the Placed Shares.

The 3 US importers, which took the lion's share of Sewco International's output, over the past 43 months, are international giants:

1. Mattel Incorporated, listed on The New York Stock Exchange and known for its range of Barbie dolls, as well as being the makers of Fisher-Price toys;
2. Bandai Company Ltd, listed on The Tokyo Stock Exchange and being the third largest toy producer in the world; and,
3. The Marketing Store Worldwide (Asia) Ltd, a wholly owned subsidiary of The Marketing Store Worldwide L.P., the buying agent to the fast-food chain, McDonald's Corporation, a company, which is listed on The New York Stock Exchange.

According to the Prospectus of Sewco International, the above-mentioned, 3 giants of the toy industry, worldwide, accounted for 99.60 percent, 98.60 percent, 89.40 percent and 98.10 percent of the Company's entire Turnover for the 3 Financial Years, ended December 31, 2000, and for the 7 months, ended July 31, 2001.

One of the above-mentioned companies accounted for 57.80 percent, 53 percent, 42.70 percent and 44.30 percent, respectively, of the Company's Turnover, during the track-record period.

While this puts Sewco International in a very strong position – who would not want to be a supplier to Mattel, Bandai and/or McDonald's? – it is, also, more than a little dangerous for the Company because, should there be a falling out between Management of Sewco International and any of the senior management of one of the giants, Sewco International would, most likely, have a difficult time, finding a replacement of this calibre in a hurry.

And, during the time that a replacement customer was being actively sought, the Bottom Line of Sewco International would be adversely affected, without question.

Looked at from another angle, with 3 major customers of this calibre, for what reason has not Sewco International done better during the past 43 months?

The following table is lifted from Page 97 of the Prospectus:

	Financial Year ended December 31			Seven Months to July 31
	1998	1999	2000	2001

	All Figures are Denominated in \$HK'000 (unless otherwise stated)			
Turnover	302,175	249,914	338,951	180,909
Cost of Sales	(210,849)	(193,036)	(264,497)	(142,331)
Gross Profit	91,326	56,878	74,454	38,578
Gross Profit Margin	30.22 percent	22.76 percent	21.97 percent	32.32 percent
Other Revenue and Gains	5,732	5,825	6,948	3,626
Selling and Distribution Expenses	(15,144)	(12,555)	(13,786)	(6,635)
Administrative Expenses	(22,198)	(25,528)	(27,468)	(15,541)
Other Operating Expenses	(3,500)	(640)	(510)	Nil
Profit from Operational Activities	56,216	23,980	39,638	20,028
Financing Costs	(689)	(481)	(439)	(157)
Profit before Taxation	55,527	23,499	39,199	19,871
Taxation	(7,133)	(1,937)	(4,987)	(2,387)
Profit before Minority Interests	48,394	21,562	34,212	17,484
Minority Interests	(23,802)	(10,364)	(8,346)	(526)
Net Profit from Ordinary Activities Attributable to Shareholders	24,592	11,198	25,866	16,958

It is noted that financing costs for this manufacturer of stuffed toys and hard toys was minimal, throughout the track-record period ... [CLICK TO ORDER FULL ARTICLE](#)

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