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SEWCO INTERNATIONAL HOLDINGS LTD:
TIME FOR CAREFUL REFLECTION, PERHAPS ?

Chief Executive Officer Throws In The Towel

There must have been rather uncomfortable overtones, lately, during the determinations of a number of suppliers, and, perhaps, quite a number of prospective investors of Sewco International Holdings Ltd () (Code: 209, Main Board, The Stock Exchange of Hongkong Ltd) with the publication of the Interim Report of this publicly listed company.

This toy manufacturer has informed its shareholders that, for the 6 months, ended June 30, 2008, on a Turnover of about $HK400.69 million, the company suffered a Loss Attributable to Shareholders of about $HK31.02 million.

For the like period in 2007, on a Turnover of about $HK303.01 million, Sewco International enjoyed a Loss Attributable to Shareholders of about $HK21.06 million.

The Interim Loss Attributable to Shareholders came on the back of the financial results of the Financial Year, ended December 31, 2007, when, on a Turnover of about $HK774.36 million, the company suffered a Loss Attributable to Shareholders of about $HK55.77 million.

For the 2007-Year, it was the first, negative Bottom Line since at least the end of the 2002-Year, according to the database of **TOLFIN** () (The Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider).

With the Interim Report, it means that Sewco International has suffered losses for 3 consecutive, 6-monthly periods.

At Page 17 of the Interim Report, Management has stated that the reasons for the company's poor performance was due, at least in part, to *'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 …'.*

At Page 19 of this Interim Report, it is stated:

> *'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* (**r**en**m**in**b**i) *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 … 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 …'.*

One may read into the above in a number of ways.

TARGET () prefers to decline to comment.

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