

CHAIRMAN'S STATEMENT**To Our Shareholders:**

I am pleased to report the annual results of Sewco International Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") for the year ended 31 December 2006.

RESULTS

The Group achieved a record turnover of HK\$622,200,000 in 2006, an increase of 9.98% from HK\$565,741,000 the previous year. The gross profit margin improved to 12.93%, compared with 11.58% the year before. The Group's net profit from ordinary activities attributable to shareholders HK\$4,008,000 (2005: HK\$3,436,000). Several abnormal charges totaling HK\$6,307,000 lowered the Group's earnings.

As at 31 December 2006, total assets and net assets of the Group were HK\$424,367,000 (2005: HK\$353,203,000) and HK\$278,485,000 (2005: HK\$267,543,000) respectively, an increase of 20.15% and 4.09% respectively as compared with the previous year.

DIVIDEND

The Board of Directors (the "Board") proposed the payment of a final dividend of HK0.5 cent per ordinary share to the shareholders whose names appear on the register of members of the Company as at 1 June 2007.

FUTURE PLANS AND PROSPECTS

The business environment remains unfavorable to traditional labor-intensive manufacturers in the Pearl River Delta region, with labour, material and utility costs climbing rapidly and labor shortages widespread during the peak production season. Adding to the woes is the accelerating appreciation of the Renminbi against the Hong Kong dollar. The toy manufacturing industry is expected to consolidate as weaker players leave the crowded field. The Group, however, sees unique opportunity in this environment and is confident that it can emerge a stronger player as it upgrades and expands its production capacity, optimizes operations, and continues to add value to services to its customers.

As such, the Group will continue to focus on efforts to keep itself ahead of pack by modernizing its operations and encouraging innovation. In the past year, the Group invested in the latest technologies and machinery for toy manufacturing, set up an R&D center, and began to implement a supply chain management system developed by a leading ERP solutions provider. All these were efforts to increase value to our customers and make itself one of the most efficient manufacturers and trusted business partners.

APPRECIATION

In December, Hui Kwok Chu resigned from the Board after 13 years with the Company. On behalf of the Board, I would like to thank him for his contribution to the success and growth of the Group. I would also like to welcome Tse Wei Kin, who joined the Group as independent non-executive director in 2006, and Jimmy N. T. Ha, who was named an executive director in early 2007.

I would also like to take this opportunity to express my deepest gratitude to our customers, shareholders, business partners and suppliers for their support and confidence in the Group. My thanks also go to our dedicated and talented staffs whose passion and commitment are a constant reminder of the privilege we enjoy working in this exciting and meaningful industry.

Cheung Yan, Priscilla

Chairman