



SEWCO INTERNATIONAL HOLDINGS LIMITED

崇高國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 209)

Executive Directors:

Ms. Cheung Yan, Priscilla (*Chairman*)
Ms. Cheung Man, Catherine
Mr. Hui Kwok Chu (*Chief Executive Officer*)
Mr. Sham Lok Shing, Edward

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent non-executive Directors:

Ms. Cynthia Law
Mr. Lam Chin Fung
Mr. Tse Wei Kin

Principal Place of Business:

18th Floor
Wing Wong Commercial Building
Nos. 557 and 559 Nathan Road
Kowloon
Hong Kong

2 October 2009

To the Shareholders

Dear Sir/Madam

**MANDATORY UNCONDITIONAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED
ON BEHALF OF
RIGHT PERFECT LIMITED
FOR ALL THE ISSUED SHARES IN
SEWCO INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE
ALREADY OWNED OR AGREED
TO BE ACQUIRED BY RIGHT PERFECT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

The Offeror has on 14 September 2009 despatched the Offer Document containing the Offer to the Shareholders.

* For identification purposes only

The purpose of this offeree board circular, of which this letter forms part, is to provide you with, amongst others, information relating to the Group and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Offer and the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Ms. Cynthia Law, Mr. Lam Chin Fung and Mr. Tse Wei Kin, being all the independent non-executive Directors, are the members of the Independent Board Committee constituted to make recommendations to the Independent Shareholders in respect of the Offer.

Hercules Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in connection with the Offer and such appointment has been approved by the Independent Board Committee.

THE OFFER

The Offer Document contained the information in respect of the Offer including those set out below.

Principal terms of the Offer

Taifook Securities is making the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share HK\$0.4 in cash

The Offer Shares to be acquired under the Offer must be fully paid and free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the Completion Date, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the Completion Date.

Comparison of value

The Offer Price of HK\$0.4 is equal to the price per Share represents:

- (i) a premium of approximately 14.29% over the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 14.29% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day of HK\$0.35 per Share;

- (iii) a premium of approximately 19.40% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day of HK\$0.335 per Share;
- (iv) a discount of approximately 24.53% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 5.26% over the audited consolidated total equity attributable to Shareholders of approximately HK\$0.38 per Share as at 31 December 2008.

Value of the Offer

On the basis of the Offer Price of HK\$0.4 per Offer Share and 534,514,000 Shares in issue as at the Latest Practicable Date, the entire market capitalisation of the issued share capital of the Company would be HK\$213,805,600. Excluding the 300,000,000 Shares held by the Offeror, 234,514,000 Shares are subject to the Offer and the total consideration payable by the Offeror under the Offer would be HK\$93,805,600 on the basis of the Offer Price.

INFORMATION ON THE GROUP

The Company is an investment holding company with its subsidiaries principally engaged in the manufacture and trading of toys.

The Group recorded audited loss attributable to equity holders of the Company of approximately HK\$55,773,000 and approximately HK\$84,274,000 for the two financial years ended 31 December 2007 and 2008 respectively. The audited consolidated total equity attributable to equity holders of the Company as at 31 December 2007 and 31 December 2008 were approximately HK\$244,101,000 and HK\$167,271,000 respectively.

INFORMATION ON THE OFFEROR

The section headed "INFORMATION ON THE OFFEROR" in the Letter from Taifook Securities contained in the Offer Document contains information on the Offeror.

OFFEROR'S INTENTION ON THE GROUP

The Offer Document states that the Offeror intends that the Group will continue its existing principal activities and that the Offeror does not intend to introduce any major changes to the existing operations and business of the Company or redeployment of the assets of the Group other than in its ordinary course of business immediately after the Offer. It is stated in the Offer Document that the Offeror will conduct a more detailed review of the operations of the Group with a view to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror has stated in the Offer Document that it has no intention or plans for any acquisition or disposal of assets and/or business by the Group.

However, the Company is considering the disposal of, and has therefore put on market for offers through estate agents, the Group's office premises in Hong Kong which are not material to the principal business activities of the Group. As at the Latest Practicable Date, no agreement has yet been reached or entered into in respect of the disposal and the disposal under consideration may or may not proceed.

The Board has noted the intentions of the Offeror in respect of the Company and its employees as stated above. It is willing to render reasonable co-operation with the Offeror for the smooth running of the business of the Group.

PROPOSED CHANGE OF COMPOSITION OF THE BOARD

The Board currently comprises seven Directors, including four executive Directors, being Ms. Cheung Yan, Priscilla, Ms. Cheung Man, Catherine, Mr. Hui Kwok Chu and Mr. Sham Lok Shing, Edward and three independent non-executive Directors, being Ms. Cynthia Law, Mr. Lam Chin Fung and Mr. Tse Wei Kin.

The Offeror has stated in the Offer Document that it intends to nominate Mr. Lo Ming Chi, Charles, Mr. Sue Ka Lok and Ms. Chan Yuk Yee as executive Directors and Mr. Kwok Ming Fai as an independent non-executive Director and such appointment will take effect from the calendar day immediately after the despatch of this offeree board circular.

The section headed "PROPOSED CHANGE OF COMPOSITION OF THE BOARD" in the Letter from Taifook Securities contained in the Offer Document contains brief biographies of the proposed new Directors.

Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made accordingly.

MAINTAINING THE LISTING STATUS OF THE COMPANY

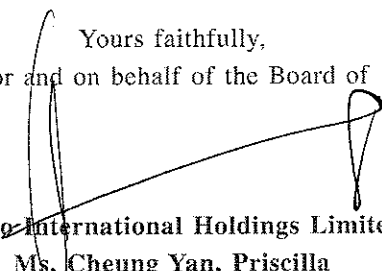
The Offeror has stated in the Offer Document that it intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Company has been informed that the new Directors to be nominated by the Offeror to the Board and the sole director of the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this offeree board circular, which contains its recommendation to the Independent Shareholders in respect of the Offer, and the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You should also read the Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer.

Yours faithfully,
For and on behalf of the Board of



~~Sewco International Holdings Limited~~
Ms. Cheung Yan, Priscilla
Chairman